PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP): FEEDBACK STATEMENT TO CONSULTATION PAPER CP-19-007

EIOPA-20-534
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European Insurance and
Occupational Pensions Authority

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INTRODUCTION

According to Articles 10 and 16a of the EIOPA Regulation[1], EIOPA carries out wide consultations of the public, leaving sufficient time for consideration of the proposed approaches to Regulatory Technical Standards and Advice to the European Commission. Further, the relevant stakeholder groups are asked for their advice.

The development of draft Level 2 measures implementing the PEPP Regulation's[2] requirements required research into approaches for private pensions, building on best practices, developed at the national level and at other European institutions, consultations with the EBA, ESMA and the ECB, academic research, stakeholder engagement and, in particular for the information documents, consumer and industry testing.

EIOPA carried out two public consultations on its proposals:

- On the draft Regulatory Technical Standards and the draft technical advice on Delegated Acts (CP-19-007) from 2nd December 2019 to 2nd March 2020, which was accompanied by a public hearing on 24th February 2020.
- On the draft Implementing Technical Standards from 20th March to 20th June 2020 (the consultation period was extended by four weeks due to the implications of the COVID-19 pandemic).

[1] Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC, *OJ L 331, 15.12.2010, p. 48–83.*

[2] Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP); OJ L 198, 25.7.2019, p. 1–63.

Before the public consultation, as well as for both consultation papers, EIOPA received joint opinions by its two stakeholder groups, Insurance and Reinsurance Stakeholder Group (IRSG) and Occupational Pension Stakeholder Group (OPSG).[3]

Further, EIOPA set up a consultative group of Expert Practitioners[4] for the PEPP to discuss practical aspects of the developed ideas as well as exchanged views with the OECD and outstanding pension academics.

For CP-19-007, EIOPA received 43 contributions from the following types of stakeholders:

- Insurance and reinsurance undertakings or representative organisations (14 responses),
- Asset management entities or representative organisations (11 responses),
- Pension funds/IORPs or representative organisations (six responses),
- Financial advisers or representative organisations (four responses),
- Consumer representative organisations (three responses),
- Actuarial representative organisations (two responses),
- Banks or representative organisations (two responses) and
- National competent authority (one response).

The consultation paper included the following questions covering all areas of the suggested approaches:

- Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?
- Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?
- Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?

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[3] See: https://register.eiopa.europa.eu/Publications/OPSG-19-18_IRSG-19-40_Joint_Position_Paper_on_PEPP-Questionnaire.pdf ; https://www.eiopa.europa.eu/sites/default/files/sg/opsg-20-13-irsg-20-14-joint-advice-on-pepp-consultation.pdf; https://www.eiopa.europa.eu/sites/default/files/publications/administrative/cvs/opsg/opsg-20-24_irsg-20-23_joint_advice_pepp_its.pdf.

[4] See further information on the EIOPA Expert Practitioner Panel on PEPP: https://www.eiopa.europa.eu/content/eiopa-establishes-expert-practitioner-panel-pan-european-personal-pension-product-pepp_en.

- Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?
- Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?
- Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?
- Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?
- Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?
- Q9. Do you have any other general comments to the proposed approaches?
- Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?

Some of the responses provided highly detailed information, in particular on the cost structures of currently available information, whereas other responses were relatively short and mostly supportive of the proposals. A number of respondents highlighted their concern about the short timeframe to finalise the proposals and – for some areas – the need for much more detailed and specified provisions, requiring the back testing of the appropriateness of the variables using a stochastic model. The total number of comments received was 350, which were duly considered and were very valuable to arrive at well-balanced and appropriate solution.

A summary of the main comments received and EIOPA's responses to them can be found in the sections below. The full list of all the non-confidential comments provided and EIOPA's corresponding responses can be found in the annex of this feedback statement.

SUMMARY OF MAIN COMMENTS RECEIVED

PEPP information documents: pre-contractual and annual information on the PEPP and its investment options

To allow for high comparability between PEPPs, the proposals set out a high degree of standardisation and the development of mandatory templates. To enable consumers' understanding of the PEPP, the information to be provided has been tailored to the pension objective of the PEPP and to deliver decision-useful information in an attractive way, enabling the use of digital means. The draft templates together with illustrative content have been tested with consumer to gain insights in the relevance and strength of the proposed presentation.

Stakeholders generally supported the proposals and to use as a starting point the information documents built for packaged retail investment and insurance-based products (PRIIPs) and the Directive on the activities and supervision of institutions for occupational retirement provision (IORP II). Further, stakeholders agreed to tailor the information documents to the specificities of PEPP and to enable full digitalisation of the information documents in the future.

The main areas where feedback was provided were:

- Past performance: most stakeholders agreed that past performance is important information, in particular for the PEPP Benefit Statement. However, it was highlighted that the long-term nature of the PEPP should be reflected so that average, personalised information on the investment option's performance should be provided. Further, adding a benchmark was regarded as counterproductive, as it would provide a false sense of comparability and relevance (setting out what are 'good' or 'bad' outcomes), in particular as the PEPP Benefit Statement's information will be reconcilable with the information in the PEPP KID and information on past performance on the PEPP provider's website, so that the PEPP saver can compare one's own PEPP to other PEPPs marketed. Consequently, setting a benchmark for the presentation of past performance was abandoned.
- 'Reduction in Yield' and 'Reduction in Wealth': most stakeholders agreed that 'total costs per annum' is the most important cost information for consumers, yet the Regulation requires the disclosure of the overall effects on the accumulated savings, i.e. the 'Reduction in Wealth', for the PEPP Benefit Statement. Consumer associations supported to show the present 'Reduction in Wealth'. Most stakeholders preferred PRIIPs' Reduction in Yield for the PEPP KID to promote comparability to PRIIPs products. EIOPA weighed the benefits of comparability with PRIIPs products with the specificity of PEPPs, which do not require 'recommended holding periods', and for which simple, transparent disclosures are necessary. Clearly, there are challenges in the consumer understanding of 'Reduction in Yield', in particular for long-term products. For consumers it is most important to understand what the 'total costs' of the product are. That is best understood in monetary terms per annum. For the expression of total costs per annum in percentage terms, the reference was made to the Basic PEPP's cost cap (1% of the accumulated capital), so that comparisons between different PEPP investment options are possible. As for the PEPP Benefit Statement the PEPP Regulation requires to disclose the estimated impact of the costs on the final PEPP benefits, EIOPA maintained the 'Reduction in Wealth' approach, set out in the Consultation Paper.
- Inflation-adjusted amounts: a few stakeholders believe that projected amounts should be presented in nominal amounts with a disclaimer that inflation affects future purchasing powers. Whilst stakeholders generally agreed that for a retirement income product, the understanding of the risks and effects of inflation is particularly important, the presentation of inflation-adjusted amounts

affect the comparability to other long-term savings products, which usually only show nominal amounts. For a long-term pension product, the impact of inflation on purchasing power is relevant and needs to be 'translated' to the consumer. It is suggested to provide information on expected monthly payments during retirement and lump sum payments at retirement in real terms, i.e. inflation-adjusted. However, it is a valid concern that consumers may compare the PEPP with other products, in which they can save long-term. Therefore, it is suggested to present projected PEPP benefits also in nominal amounts, with the option to present those in subsequent layers of information if using digital means.

Cost cap of the Basic PEPP

The cost-efficiency of the Basic PEPP was enforced by the co-legislators through a cost cap. In line with the PEPP's policy objective, EIOPA suggested an 'all inclusive' approach, while keeping a level playing field amongst providers offering different features and in particular, a guarantee on the accumulated capital. Therefore, EIOPA suggested to separate the 'costs of the guarantee', i.e. the premium charged for the capital guarantee, from the cost cap and to expressly disclose the corresponding charges.

Stakeholders generally supported the 'all inclusive' approach, yet highlighted that:

- Risk-mitigation techniques other than guarantees are also costly and provide for similar levels of probability to recoup the capital as the capital guarantee - resulting in an unlevel playing field.
- A guarantee on the capital does have a different quality than the ambition to recoup the capital.
- The costs of the guarantee cannot be defined or measured and would leave significant room for judgement and 'hiding' of other costs.
- Insurers should be in a position to determine the charges for offering a guarantee on the capital.
- The cost cap is too low in the initial stage of marketing PEPPs. Most stakeholders argued that the costs of the mandatory advice should be excluded from the cost cap. Arguably, the one-off costs of providing advice potentially requires a number of years for the provider to recoup. That may put 'first movers' at a disadvantage to those PEPP providers entering the market after the first five years when PEPP savers can switch without costs.

EIOPA welcomed the additional information and evidence from national markets on current cost levels of personal pension products. It is acknowledged that in a sector with relatively high distribution costs and high initial costs to launch a product that the regulated cost cap of the Basic PEPP, which is a mandatory investment option for every PEPP, will be challenging in the initial phase of offering PEPPs. However, the evidence provided suggests that the cost cap of 1% of the accumulated capital per annum is not excessively low, but rather relatively high for well-established products. Also, the design of the cost cap to refer to the accumulated capital at the end of each period, differently to, for example, a cap on the contributions, may lead to relatively high charges in the advanced stages of the PEPPs.

The PEPP Regulation requires providing advice on the PEPP, including on the Basic PEPP, which may result in high costs before the PEPP is actually offered. Considering that the Basic PEPP in particular is designed for the majority of the PEPP savers and that savings will grow over time with potentially limited contribution levels at the beginning of saving into a PEPP, such initial costs will probably not be recouped in the first year within the 1% of the accumulated capital in the first year, so that the costs for such initial advice may be amortised over the initial period of the PEPP contract, i.e. in the first years before the PEPP saver may exercise one's right to switch the provider. Depending on the design and cost structures of the PEPP provider's distribution channels, costs for providing advice may be charged throughout the life of the PEPP contract as distribution costs. The costs incurred for providing initial advice need to be transparently disclosed, both in relation to the total amount as well as on the pattern and length of the amortisation. On-going costs related to the distribution of the PEPP, which cover the provision of on-going advice, are equally included in the cost cap and have to be made transparent in the annual PEPP Benefit Statement.

The empowerment for EIOPA to regulate the costs to be included in the Basic PEPP's cost cap clearly refers to the mitigation of potential unlevel playing field, which may stem from the two distinct types of Basic PEPPs that can be offered: (1) ambition to recoup the capital invested or (2) with a capital guarantee. The capital guarantee is the additional service to provide for close to 100% probability to recoup the capital invested on top of the required 92.5% probability to recoup the capital for all Basic PEPPs. Whereas providers may set up guarantee mechanisms in line with their business model, for which the levels of 'costs'/ premium charged for that additional service may deviate, it is highly important for the consumer to be able to compare the additional premium charged for the capital guarantee by different PEPP providers. EIOPA believes that such an approach is necessary to 'treat similar transactions and features similarly and treating dissimilar ones dissimilarly' and therewith to address level playing field issues – whilst at the same time to empower consumers to take the right decision for their risk appetite, costs and rewards of that Basic PEPP.

Risk-mitigation techniques and a holistic approach to the risk management and assessment of PEPP

EIOPA's proposals included a holistic assessment of the PEPP's risks and rewards and so to introduce a common set of inputs, approaches and assumptions, incorporating key pension-specific risks and rewards:

- the individual's circumstances (age, retirement objective, risk aversion),
- the effectiveness of risk-mitigation techniques to limit the dispersion of the retirement outcomes as well as

- an appropriate ambition for the PEPP's retirement outcomes.

The Consultation Paper set out the principle objectives for the risk-mitigation techniques to foster investment strategies leading to better pension outcomes. Clear and auditable criteria should enable the assessment of the effectiveness of the chosen risk-mitigation technique as well as the risk/reward analysis of the PEPP’s investment option in a consistent way and consequently, to translate the results in a summary risk indicator as well as to feed the pension projections.

Most of the stakeholders agreed with such a holistic approach to assessing and measuring the riskiness and the potential rewards of the PEPP. They highlighted the need for using stochastic modelling with centrally defined parameters to promote consistency and enforceability of the risk-related mechanisms and disclosures. However, most stakeholders found that the suggested level of ambition was generally too high, in particular relating to the probability of recouping the capital invested and the long-term risk-free returns using the Solvency II ultimate forward rate – and requested EIOPA to back test the requirement using its own stochastic model.

In collaboration with the OECD, EIOPA developed a simple and relevant stochastic model to determine the appropriate thresholds, to set ambitious, yet realistic, targets and criteria in order to foster investment strategies and risk-mitigation techniques that successfully limit downside risk whilst achieving minimum target rewards levels. The targets and thresholds reflect on the trade-off between the objective to ensure sufficient capital protection and the goal to reach appropriate returns and levels of PEPP benefits at retirement – and therewith to enable consumers’ participation in Europe’s capital markets.

In doing so, EIOPA has adapted its approaches to reach overarching consistency with the identified main risks, such as underperforming against the annual rate of inflation, the extent of the shortfall in that case – and to compare against the level of the median projected outcomes. The requirements facilitate the assessment of the PEPP throughout its lifecycle and promotes internal consistency in the risk-mitigation techniques and investment strategies to match the PEPP savers’ retirement objectives and level of risk aversion over the entire accumulation period.

Supervisory Reporting and cooperation between NCAs and EIOPA

Enabling an efficient functioning of the PEPP market requires close monitoring and effective product supervision both from a home and host perspective - which is only possible with regular information exchange on PEPP business.

Stakeholders appreciated the challenge to foster supervisory convergence for the PEPP, considering the variety of eligible providers. They agreed with the objective to foster efficient product supervision from a home and host perspective - and to develop one set of information to be reported on PEPP, independent from the type of provider.

EIOPA's product intervention powers

To prepare EIOPA's advice to the European Commission for Delegated Acts on EIOPA's product intervention powers, the Consultation Paper specified relevant criteria, tailored to the PEPP, building on experience with product intervention powers at the level of the ESAs. EIOPA did not receive any substantial comments on this topic.

ANNEX – COMMENTS RECEIVED TO CP-19-007

No	Name	Reference	Comment	Processing
1.	**OPSG & IRSG**	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	**Preliminary Statements** In their Joint Position Paper of 15 November 2019, the IRSG and OPSG (the 'Groups' thereafter) have already made very detailed and balanced comments on most of the issues raised in this consultation, especially with regard to - Digitalisaton (cf. Question 1) - Cost disclosure (Reduction in Yield versus Reduction in Wealth; cf. questions 3 and 4) - Summary Risk indicator (cf. question 5) - Performance disclosure (cf. question 6) - Impact of inflation and fees (cf. question 7) - Structure of PEPP Benefit Statement (cf. question 8) - 1% Fee Cap for the Basic PEPP / "all inclusive" approach for this cap (cf. question 9) - Costs of guarantees (cf. question 10) - Risk mitigations techniques (guarantees, life-cycling and buffers; cf. questions 11, 12 and 14) The Groups ask EIOPA to take those comments into consideration again. The Groups also agree that the PEPP should be attractive to consumers to have a chance to be successful. This means in particular that the PEPP should be simple, transparent, trustworthy, safe, well-governed, and last but not least, cost-effective and providing good value for money. At the same time, the Groups recognize the importance of ensuring that the regulatory framework provide sufficient incentives to potential providers to take the decision to offer the PEPP. **Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?** The OPSG and IRSG welcome that EIOPA is consulting on the basis of mock-up KID and PBS examples. Members of the Groups believe that the mock-ups are a good starting point for discussions on the two documents. Some members of the Groups consider that the time horizon, investment method (e.g. single or regular contributions) and liquidity of PRIIPs and PEPP products can be quite different, and require these differences to be reflected in the methodology used. Other members of the Groups stress that not all PRIIPs are short-term products, such as in the few countries where the PRIIPs framework applies to some personal	Agreed, the previous comments were taken into account. Partially agreed, the PEPP KID is supposed to be highly standardised to allow comparability amongst products. The PEPP Benefit Statement conveys personalised

No	Name	Reference	Comment	Processing
			pension products. Other members raise the point that pension products are generally exempted from the PRIIPs regulation, with the exceptions of certain products in AT, DE, BE and NL. The Groups believe that it is important to ensure that the documents are as easy for end users to understand and use as possible. To this end it is important to ensure that the documents can be used in paper and other durable mediums appropriately. Particular attention is needed here to ensure that digital means that use layering of information can be used, in line with the proposed articles xa and xb. A member pointed out that while the European Accessibility Act[5] only applies to banking services, the EU and member states have ratified and are bound by the UN Convention on the Rights of Persons with Disabilities[6] and that on the basis of art. 9 UNCRPD information and other services provided to the public should be made accessible for persons with disabilities. Thus, information documents need to be provided in an accessible format to persons with disabilities, and the member encouraged EIOPA to develop guidance on this. Members of the Groups would also like to highlight the importance of consumer testing for the documents. This can help to ensure that prospective savers are able to access and understand the information provided by the documents and take informed choices. Some members of the Groups have concerns of over the duplication of information and overlaps with other disclosure requirements. For example, costs would be disclosed on 3 occasions; firstly in section 1 on the current balance, then in the breakdown of costs and finally in the 'Reduction in Yield' indicator in section 3. These concerns also extend to a potentially high number of disclosures that would need to be made as a result of cumulative legislative requirements. Some estimates provided by these members indicate that an insurance broker selling a sustainable PEPP online would have to disclose between 158 and 202 pieces of pre-contractual information. These members explain that the 158-202 figures are all explicit legal requirements resulting from the fact that PEPP distributers will not only have to comply with the PEPP regulation but also with other pieces of sectorial legislation. By way of example, a PEPP sold by an insurance broker has to add information requirement stemming from solvency II and from IDD (level 1 and 2). A PEPP sold online has to comply with distance marketing and e-commerce directives. A sustainable PEPP would have to comply with related sustainable disclosure recently introduced. These figures do not consider additional disclosure requirements resulting from EIOPA's level II work and does not consider possible additional requirements	information, yet the information should be reconcilable to the pre-contractual information and to PEPP KIDs of other PEPPs.

[5] Directive (EU) 2019/882 of 17 April 2019 on the accessibility requirements for products and services.

[6] Council Decision of 26 November 2009 concerning the conclusion, by the European Community, of the United Nations Convention on the Rights of Persons with Disabilities.

No	Name	Reference	Comment	Processing
			required at national level. Other members of Groups do not see this tendency at all. They find that requirements of cost disclosures are clearly outlined for the KID in article 28 (3) (f) and for the PBS in article 36 (1) (f) PEPP Regulation. Some members of the Groups find that the added value of the approach suggested by EIOPA to disclose past performance is not clear. Adding intermediate time horizons (5, 3 and 1 years) and the use of the long-term risk-free rate as a benchmark could rather risk causing confusion. Moreover, they find that disclosure of two performance tables in PEPP information documents (projections and past 10 years) could also risk overloading consumers with information. They find that use of different methodologies (past performance is anchored in actual historical data, while future scenarios show the range of possible outcomes), would not actually facilitate consumer decision making. However, other members believe that disclosure of past performance, in particular for products with a long-term nature, is a key disclosure element for the PEPP. Moreover, EIOPA is correct to propose to disclose past performance in comparison with a benchmark, in order to shed better light on the returns of the product. Past performance is not a reliable indicator of future results, and this should be prominently stated in the PEPP KID and BS. However, past performance shows the saver whether the product manager achieved its stated investment objectives in the past and allows for comparison with the market. In addition, neither the Basic PEPP, nor the other investment options or other PEPPs, should be disclosed as the benchmark for past performance. The Basic PEPP will be, in essence, different in nature and risks from the alternative investment options, and would not make a suitable comparator. Moreover, in the standalone KID for the Basic PEPP, the past performance of the Basic PEPP cannot be compared with itself. Some members believe that the objective comparator for past performance should only be the corresponding market index benchmark of the product. If the product is not susceptible of having one, then no other performance should be presented. PEPPs should be required to disclose long-term past performance, i.e. minimum 10 years. Moreover, some members of the Groups find that not only are future performance scenarios extremely misleading, but the PRIIPs future scenarios are based on only five years' performances (which, naturally, would be too short time horizon for a pension product). However, if future performance scenarios were to be kept for PEPP they should be kept to a maximum of three scenarios and projection calculations based on time horizon that is compatible with the nature of the pension product, ideally until retirement age.	Partially agreed, past performance is very relevant for the PEPP Benefit Statement for the saver to understand how the chosen investment option has performed. The standardised information on past performance in pre-contractual information is expected to be communicated via the provider's website. For the reasons stated, the benchmark has been removed.

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			These members of the Groups also find that future performance projections must be coupled with long term past performance disclosure with the performance of the benchmark selected by the provider (if he has one) disclosed alongside like in the UCITS KIID. Past performance, in particular for products with a long-term nature like the one of PEPP, is a key disclosure element. Past performance should be displayed in comparison with a benchmark, in order to shed better light on the returns of the product. Comparison of past performance with a capital market index chosen by a provider is key to understand the performance and risks. For majority of savers presenting the risk via numbers only is hardly understandable. The comparison with a benchmark will enable them to understand that the value of savings is a subject of volatility over time and to see by how much the value of savings can fluctuate; therefore ideally the presentation should take the form of a graph. These members note that with insurance-based investment products and pensions products, it will always be possible to present past performances. If any guarantees are given, e.g. German life insurers publish each year a fixed amount of additional surplus. In case of unit-linked products, e.g. other life insurers should be obliged to disclose the average surplus paid out for each year based on the "smoothing" method. No matter if guarantees are given or not, life insurers are always able to calculate the total interest rate ("Gesamtverzinsung") they had paid out to their customers each year, and this can be shown by a linear graph. Other members question the value to the consumer of this information, even if it can be easily provided. They are concerned, again that consumer would be overloaded with information. Some members of the Groups find that there is a use of jargon that is not properly explained to the consumer in the documents and risks not being understood. For examples using terms such as portability, switching, sub-accounts, ESG and others in the proposed PEPP KID. They would also like to raise the point that there is no section in the document to describe the guarantee for these products. Other members of the Groups do not agree with this assertion on the “use of jargon”. They consider that it is not different from the use of technical expressions in the PRIIPs KID. These terms are essential. For example, if a guarantee is given, there should be a hint where more specific information can be found. Some other members find that there are many PEPP concepts that are totally new (i.e. sub-accounts, risk mitigation techniques). Some of these concepts are used differently at national level (domestic portability can overlap with switching), which points to a need for more clarity. Giving information to savers is not enough to pretend that they are sufficiently equipped. This information must be accessible and understandable to average consumers. Some members of the Groups would also like to comment on the section on sub-accounts, which includes information on age limits for starting the accumulation phase, maximum and minimum amounts of in-payments and continuity and the minimum duration of accumulation phase. Some members of the Groups	Agreed, the templates have been further developed to avoid the use of jargon. Noted, the required content of the information stems from the PEPP Regulation.

No	Name	Reference	Comment	Processing
			believe that this information is not required under article 28 of the Regulation, but might be useful for PEPP saver at the pre-contractual phase in order to make an informed decision, especially as the PEPP saver will be provided with this information for the sub-account. Other members of the Groups rather believe that the consumer should rather only be given a reference point for where this information can be found. Some members of the Groups would like to raise the following points on the **'What is this product? '**section of the proposed PEPP KID: - The investment objectives of the respective PEPP type should be described under the subheading "Purpose", in accordance with Article 28, paragraph 3c (i) of the Level 1 Regulation. - The PEPP saver should also be informed here about the conditions for modifying the investment options, in line with Article 28, paragraph 3c (xi) of the Regulation. - Although it is only an example of suggested narrative, on portability the text stating "distributing PEPPs <u>within the majority</u> of member states" does not reflect the Level 1 Regulation that requires the PEPP to be distributed in at least 2 Members States. - Some members of the Groups believe that there is a lack of clarity over rules applicable to early redemption and switching, where the following points are not clearly reflected: o The 5-year minimum holding period applies to switching. o Switching costs are limited to actual costs and capped to 0.5% of the current PEPP balance. o Early withdrawal is often limited at national level to specific situations. - Other members of the Groups did not find a lack of clarity in the KID proposal over the rules applicable to early redemption and switching and proposed informing the consumer of where further information can be found in the terms and conditions of the contract. - The part of the document where product name and product type are mentioned should be linked to part 1 'What is this product? 'and in particular to the section on the 'Guarantee/risk mitigation technique'. Members of the Groups had several views on this point, but agreed that there is a need to try and explain what both guarantees and risk mitigation techniques entail. Proposals to do this include: o Narrative explanations such as, for example, "some of the money you invest is guaranteed and will be paid back to you regardless of the investment performance of the product" for	Agreed, the templates have been amended accordingly. Partially agreed, the requirements stem from the PEPP Regulation. Agreed, the templates have been amended accordingly.

No	Name	Reference	Comment	Processing
			guarantees and "your money will be invested with more risk to earn as much as possible at the start of the product term, then in with less risk toward the end to reduce the possibility of losing any gains" for life-cycling. o Warnings could be used to explain the risks with each option, which should also include a narrative explanation for pooling and smoothing. o The checkbox could be disposed for the Basic PEPP and the inclusion of a guarantee or other technique explained in the product type section. - Some members of the Groups believe that total costs should be disclosed in monetary terms and as a percentage of investment value, followed by a breakdown of the various cost elements (administration costs, cost of investment management, transaction costs, distribution costs, cost of advice, cost of guarantee, etc.). Since the KID will contain pre-contractual information and is not a personalised recommendation, they deem the proposal from EIOPA on monetary disclosures is important. They suggest that instead of using only figures in euros different national currencies could also be used where necessary. However, other members consider monetary disclosures are difficult to implement in a meaningful way and in particular when dealing with a standardized pre-contractual information document for a pan-European product. They believe that the assumptions used in the KID mock-ups of 10k accumulated capital and 100 euros monthly contributions are not appropriate in several EU countries due to income levels, savings capacity and currency. - Other members of the Groups rather believe that as the KID will contain pre-contractual information and is not a personalised recommendation, the proposal from EIOPA on monetary disclosures is important. They suggest that instead of using only figures in euros different national currencies could also be used where necessary. - Under the subheading 'Early withdrawal', the PEPP saver should be informed whether or not tax incentives should be returned in case of early withdrawal. - Concerning the 'Switching rights' section the following sentence should be rephrased "The receiving PEPP provider is obliged to take care of closing your old account, moving your balance and switching your payments". It should reflect Article 53, paragraph 4 of the Regulation, which states that "Upon receipt of a request from receiving PEPP provider, the transferring PEPP provider shall close the PEPP account on the date specified by PEPP saver".	Partially agreed, the templates have been amended accordingly. The PEPP KID relies on standardised and generic information to foster comparability. Agreed, the templates need to be adjustable. Partially agreed, the requirements stem from the PEPP Regulation.

No	Name	Reference	Comment	Processing
			- Under the subheading "Cancellation" it should be mentioned that PEPP savers are entitled to a cancelation period of 30 days according to Directive 2002/65/EC. This is applicable to distance contracts concluded between a supplier and a customer. The Groups would also like to raise several different points on the PBS: - Some members of the Groups find that EIOPA's suggested approaches are not always sufficiently substantiated and explained. For instance, they believe that there is not enough material in the draft technical advice and impact assessment to fully assess the 'Reduction in Wealth' (RiW) cost indicator suggested for the PBS. - These members of the Groups find that Reduction-in-Yield (transforming the impact of costs into an estimation of an estimation) is not appropriate as it is not understandable even for professionals and should indeed be replaced by RiW. RiW is more meaningful for retail investors and would show the decrease in the PEPP saver's income per year due to fees. The reason is that the only reference parameter which is immediately understandable for the customers is the total amount of contributions or premiums paid by the customer. A customer should know, what the expected outcome is at the end of the savings period, based on a given contribution/premium flow and an assumed return on assets. This *return on assets* should be the return *before* any costs are deducted and the *expected outcome* is clarified *after* all costs are deducted. Then the customer has two absolute figures which he is able to compare, and the difference between the two figures may additionally be elucidated by a percentage. This method of disclosure, which is called "Reduction in Wealth" may be used not only for the contribution phase but as well for the payout phase. More theoretical and empirical evidence for the "Reduction in Wealth" method as a summary cost indicator will be published by EIOPA's Expert Panel on PEPP, established in July 2019. - Other members believe that the RiW indicator is not appropriate for the following reasons: ○ It is a new indicator, not in use by anyone as far as they are aware, and its use has been rejected in Germany. ○ The suggested indicator has not undergone consumer testing. There is no indication the information provided will be more useful to savers. ○ PEPP costs disclosure should be annualised: only annualised costs can be compared effectively in light of the PEPP's long-term nature and different recommended holding periods. Otherwise, there	Partially agreed, the requirements have been further specified.

No	Name	Reference	Comment	Processing
			is a risk that younger savers would assume their PEPP is more expensive than PEPP acquired by more senior ones. - These members believe that Reduction in Yield (RiY) is a robust, realistic and accurate cost indicator which could also be suitable to the PEPP because it takes into account the impact of i) cost structure, ii) cost timing, iii) product duration on the internal rate of return (yield). Furthermore, RIY works equally well for single and regular premium payments. These properties are particularly important to properly represent long term products and products with ongoing premiums, which we understand would correspond to the majority of PEPPs. - There is limited room in the PBS mock-up to present information for a PEPP that has several sub-accounts with different contribution levels, different taxation regimes applicable and different costs resulting from providers in case of partnerships, for example. - Other members of the Groups find that Reduction-in-Yield (transforming the impact of costs into an estimation of an estimation) is not appropriate as it is not understandable even for professionals and should be replaced by the Expense *Ratio* or the *Wealth-Reduction-Ratio*. They highlight the following points: o The Expense Ratio (ER) shows how much fees "ate into" or "will eat into" (represent/weight) the cumulative return of the PEPP at target/maturity date. It would be calculated as the weighting out the gross compound return of the difference between the real gross compound return and the real net (of fees) compound return. o Another member proposed using the TER approach as there is a convincing criticism from Better Finance on the RiY approach[7]. The reason is that the only reference parameter which is immediately understandable for the customers is the total amount of contributions or premiums paid by the customer. A customer should know, what the expected outcome is at the end of the savings period, based on a given contribution/premium flow and an assumed return on assets. This *return on assets* should be the return *before* any costs are deducted and the *expected outcome* is clarified *after* all costs are deducted. Then the customer has two absolute figures which he is able to compare, and the difference between the two figures may additionally be elucidated by a percentage. This method of disclosure, which is	Partially agreed, the PEPP Regulation requires that the information is provided for each subaccount, so there is not a limit to the pages of the Benefit Statement.

[7] https://betterfinance.eu/wp-content/uploads/PRIIPs-Position-Paper-BETTER-FINANCE.pdf (see page 8 et sequ)

No	Name	Reference	Comment	Processing
			called "Reduction in Wealth" may be used not only for the contribution phase but as well for the payout phase. More theoretical and empirical evidence for the "Reduction in Wealth" method as a summary cost indicator will be published by EIOPA's Expert Panel on PEPP, established in July 2019.	
2.	**OPSG & IRSG**	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	The IRSG and OPSG agree with a holistic approach to risk/reward, performance and risk mitigation for the PEPP. The PRIIPs synthetic risk indicator based on market risk and credit risk should not be used as a basis for the PEPP. The Groups would also like to note that currently in the PEPP KID longevity risk is not covered and the focus is on market and credit risk. A holistic approach to risk, reward and performance could be achieved with the use of a forward-looking stochastic economic model (see also question 4). In this regard the Groups welcome the recommendation that stochastic modelling should be based on a set of standardised inputs, taking into account the remaining duration, as well as return assumptions of assets classes, standards deviations and correlations. The Groups support having information in the KID on the value of the lump sum/monthly payments that the saver can expect to obtain under a best, favourable and unfavourable scenario, as shown in illustrative examples A and B. The value of the lump sum/monthly payments that a saver can expect under the best estimate scenario should correspond to the mean value of assets generated by stochastic simulations. The value of the lump sum/monthly payments that a saver can expect under the favourable and unfavourable scenario should be calculated using one standard deviation of the mean of the probability distribution. The Groups would like to indicate here their support for including a favorable scenario for performance disclosure. However, they also believe any limits to the safety of PEPP savings as well as any potential losses that the unfavourable scenario would not be able to capture should also be presented. The solution being investigated in the context of the ongoing PRIIPs review on the minimum guaranteed scenario should also be included together with the three scenarios. Some members of the Groups find that the summary risk indicator could be presented in a table comprising the risk scale based on the number of years remaining until the maturity date of the product, the risk level based on the probability of loss in real terms and the risk level based on the magnitude of the potential loss in real terms. Other members of the Groups do not believe that EIOPA's approach to benefit projections in real terms is appropriate, as it considers the impact of inflation and trends in future wages (see page 17). Here they raise	Partially agreed, the methodologies behind the disclosures have been tailored to pension-specific risks, in particular inflation. Agreed. Agreed. Partially agreed, whilst the design of the summary risk indicator needs to reflect different length of accumulation periods, the disclosure of

No	Name	Reference	Comment	Processing
			the point that computing taxation on the long-term would not be desirable because it is speculative and would ultimately lead to comparing taxation systems instead of products. They believe that this goes beyond the requirements of the PEPP regulation, would be difficult to explain to prospective savers and a challenge to implement. They propose that instead, there should be clear information stating that inflation will impact the purchasing power of the projected pension returns in the future and provide a link to further (layered) information. Tools to calculate the impact of inflation could be provided in this more detailed educational layer. Other members of the Groups have a divergent opinion on this issue of inflation disclosure. They agree that it is important to inform the consumer of the expected level of capital at retirement, after deduction of fees and inflation, compared to the total contributions paid to the PEPP, including to ensure that the purchasing power is explained to the consumer. In fact, the Groups also raised concrete ideas for presenting the expected level of capital at retirement. A layered approach could be used; first warning that inflation has an impact, then giving more detail in a second layer that is tailored to the type of PEPP (life-cycling, smoothing, guarantees). A graph showing the impact inflation and fees have on the present value of the capital invested could be given to consumers. This graph could show the decrease in time of the value a standard sum of money (€10,000) over 20 years, present the future performance scenarios gross-of-inflation (but net of fees), or in real net terms (inflation adjusted). A number of concerns exist, however, over how this might be achieved including how. This position has clearly been outlined in the Joint Position Paper of EIOPA's Stakeholder Groups of 15 November 2019 on PEPP (for further details, cf. comments on Question 7 of this Joint Position Paper). As a general remark the Groups support the use of realistic and updated estimates for investment returns in the projections. The Groups would like to raise the following points over the presentation of the summary risk indicator: - It is important to present the summary risk indicator and the performance scenarios/pension benefit projections next to one another, as in the table shown on page 14 of the Consultation Paper. - Some members find that would be better to describe the investment option as having low, medium or high risk, rather than relying on a risk class from 1 to 7 to ensure that the PEPP summary risk indicator is not confused with the PRIIPs summary risk indicator. Other members do not think that this approach is enough to differentiate between the multitude of PEPP risks associated with the different product types of Basic/non-Basic, guaranteed/non-guaranteed. They believe that more categories might be needed.	different risks for different ages would be confusing and would disincentivise the design of coherent PEPP investment strategies and risk-mitigation techniques. Agreed, a layering approach to cover both inflation-adjusted and nominal amounts have been introduced. Partially agreed, the templates have been further developed and clarified.

No	Name	Reference	Comment	Processing
			- Some members of the Groups believe that a generic KID should not provide information about the likelihood of a given investment strategy to reach the retirement objective of the saver. This objective depends on the retirement-related demands and needs of the prospective saver. They do not believe that risks should be assessed at individual level, or consider personal circumstances and subjective objectives. - The example in the indicator in the illustrative KID A shows that the level of money that savers can expect to get at retirement increases if savers start contributing to the PEPP early on. Whilst this message is correct and useful, it is not connected to the level of risk of the product compared to other products.	Agreed.
3.	**OPSG & IRSG**	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	The Groups would like to recall that the PEPP Regulation requires that all investment options to ensure “sufficient protection for the PEPP saver” (article 42(3)) that the Basic PEPP should allow savers “to recoup the capital invested” (article 45(1)) meaning “aggregate capital contributions after deduction of all fees, charges and expenses that are directly or indirectly border by the savers” (article 2(24)). It also indicated that PEPP risk mitigation techniques should ensure that the investment strategy is designed so as to “build up a stable and adequate individual future retirement income” (article 46(1)). Some members of the Groups believe that the 3 investment objectives proposed by EIOPA are either not feasible or suitable in a PEPP context and go beyond the requirements of the Level 1 Regulation. The Groups have the following comments on each of the objectives: ***Inflation-protected accumulated savings*** - Some members of the Groups believe that covering inflation on top of the capital invested would pose issues given that inflation can fluctuate and the fact that it is not known at the time when the guarantee is issued. This commitment would result in an unquantifiable promise, would likely not be authorised by national supervisory authorities and would be too burdensome from a prudential point of view. - These members believe that the other option that could be envisaged would be to exclusively invest in inflation-indexed bonds, which are not widely available in Europe and would restrict investment diversification. This measure would not consider the fact that in most EU countries inflation is higher than the maximum guaranteed interest rates set at national level.	Partially agreed, the objectives need to be operationalised, so that principles need to be linked to enforceable criteria.

No	Name	Reference	Comment	Processing
			Reaching at least the long-term risk-free rate - Some members believe it is important to inform the consumer of the expected level of capital at retirement, after deduction of fees and inflation, compared to the total contributions paid to the PEPP, including to ensure that the purchasing power is explained to the consumer. They believe that the use of the long-term risk-free rate here could indeed be appropriate. - Other members of the Groups believe that it is not clear how this measure could correspond to a pension savings objective. Pension savings pursue different objectives, which can vary significantly depending on personal and other circumstances. It is, therefore, difficult to set a single PEPP objective. These members also point out that including inflation was not part of the level 1 political agreement on the PEPP regulation. - They believe that the long-term risk-free rate is not a concept that is easily understood by savers and so would not be appropriate information to present. - These members also raise a concern over the use of the Solvency II long-term risk-free rate. They believe that the methodology for the Solvency II risk free curves should be based on the need for appropriate valuation of liabilities for prudential purposes. They believe that using it as a starting point to project PEPP performance should not result in PEPP providers pressuring to either lower or increase the risk-free rate (to either boost/manage performance projections) as this will influence capital requirements applicable to insurers. Some members of the Groups would like to raise the particular point that PEPPs with a lump sum retirement benefit option should not be presented as being less risky. Where a lump sum is provided there should be accompanying warning that the conditions for annuity payments are not known at this time. Other members of the Groups have a divergent opinion on this issue. Receiving a lump sum at the end of the contribution phase implies the advantage that this total sum may be invested under completely new personal considerations by the saver with regard to risk and return and the future drawdown plan. Besides this the choice of a lifelong annuity bears the risk that the customers will only get unchangeable monthly pay-outs which can always be reduced by the ongoing “low for long” interest rate phase and additionally by non-transparent longevity assumptions.	

No	Name	Reference	Comment	Processing
4.	OPSG & IRSG	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	The Groups agree that EIOPA should set out the key assumptions and inputs used for necessary stochastic modelling. Competition between PEPPs requires the highest degree of comparability and objectivity for consumers to clearly assess the differences between products on offer. A stochastic economic model assessing the risk mitigating effect of different investment techniques by measuring the probability of meeting the objective set by the PEPP regulation, of showing the risk of losing or gaining certain amounts, could be suited to consistently measuring PEPP risks. The establishment of a stochastic economic model for the PEPP could not only ensure consistency but also: - Measure the probability that the PEPP will meet its objectives; - Allow the establishment of minimum thresholds to assess if a risk mitigation strategy is safe enough to be sold to the public with the Basic PEPP quality label; - Derive risk indicators and performance indicators to fulfil information disclosures requirements; - Avoid the need for detailed rules on each risk mitigation technique and to allow innovation on financial markets while ensuring that the Basic PEPP is safe. There are examples to support the use of a stochastic economic model approach in Germany, Austria, Denmark and the Netherlands. For instance, in Denmark, the key assumptions used for the recently introduced pension projections and risk labelling are established by an independent third party called the "Pension Council". This Council is appointed by Insurance & Pension Denmark and Finance Denmark (national trade associations). The expert Council is composed of 3 researchers and experts which are appointed for a 3.5-year mandate. To prevent conflicts of interests, experts sitting in the Danish Pension Council cannot be involved in the daily management of pension companies (although board membership is allowed). This example, could justify the need for EIOPA to be assisted by an independent third party to establish, run, monitor and update the model on a regular basis. The OECD is currently investing the potential of stochastic economic model applicable to life-cycling strategies as part of the ongoing update of its 'Roadmap for the Good Design of Defined Contribution Pension Plans ' (https://www.oecd.org/finance/private-pensions/50582753.pdf).	Agreed.

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5.	**OPSG & IRSG**	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	The Groups agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA.	Agreed.
6.	**OPSG & IRSG**	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	The IRSG and OPSG have already given very detailed and balanced comments on the 1% Fee Cap for the Basic PEPP and the "all inclusive" approach for this cap, in their Joint Position Paper of 15 November 2019 on PEPP (cf. question 9). The response provided hereafter include the elements of the November advice, as well as additional comments inspired by the information provided by EIOPA in its Consultation Paper. As a general remark concerning costs, some members of the Groups find that it would be helpful if EIOPA could set out a taxonomy of costs and standardized definitions in order to allow for consistency as well as cost comparability across different providers. This should be as simple and workable as possible. The starting point for this "taxonomy" can be found in the PRIIPs regulation EU 2017 / 653 of 8 March 2017, Annex VI: Methodology for the calculation of costs - List of costs for investment funds, PRIPs other than investment funds and insurance-based investment products (cf. Recital 38 of PEPP regulation (EU) 2019/1238). These lists are comprehensive, very detailed and pertinent, because especially with regard to insurance-based investment products there already are long-term personal pension products (PPPs like annuities, combined payout options with draw down plans or lump sums) which are very close to future PEPP products (cf. Article 2 (1) of PEPP regulation). It should be noted that some members disagree with this proposal because in their view PRIIPs and PEPP are really different in nature and construction. They wonder in this context how the specific features of the PEPP, e.g. advice, sub-accounts, would fit into the PRIIPs taxonomy. They believe that having a harmonized taxonomy for PEPP costs would be challenging given the expected diversity of PEPP, and applicable frameworks. These members also believe that the PRIIPs is not the right starting point because these are very different in nature and in construction. But other members point out that PRIIPs already include personal pension products such as life cycle funds. In addition, they also point out that not having a taxonomy of costs and standardised definitions would kill the primary goal of having PEPP KIDs comparable. Some members of the Groups shared the following general remarks on the fee cap and the inclusion of advice: - Originally, the fee cap for the Basic PEPP was designed to protect consumers from overly expensive products, offering a safe, Basic option as a default. Alternative PEPPs are not bound by a fee cap.	Thank you for providing further evidence on the current costs of personal pension products. The cost categories are set by the PEPP Regulation and have been defined in the RTSs. Partially agreed, whilst we acknowledge the difficulties of the cost cap in particular in the

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			- *"In order to guarantee PEPP savers cost-efficiency and a sufficient performance, <u>the costs and fees for the Basic PEPP</u> should be limited to a fixed percentage of the accumulated capital*." (recital 55).
			
			- The mandatory advice is designed to see whether the PEPP, Basic or alternative, is a suitable product for the consumer. Including <u>advice</u> in the 1% fee-cap would mean that – all – PEPPs technically fall under the specific 1% fee-cap, which is contradictory to the legislative text.
			
			- The structure of the PEPP Regulation does not imply advice falling under the fee cap at all:
			    ○ Advice is regulated separately and both for alternative and Basic PEPP
			    ○ It is before the chapter on the Basic PEPP itself
			    ○ Therefore, it falls outside that chapter
			    ○ Therefore, it falls outside the scope of the cost-cap
			        ▪ *Just as switching costs fall outside it, by logic of EIOPA:*
			
			Other members of the Groups stress that this conclusion is not plausible. Article 45 (2) of PEPP Regulation is a very general one, and paragraph 3 clearly stipulates that EIOPA has to make proposals which types of costs and fees might be excluded. In consequence there is not any prejudice which types of costs and fees might be excluded. In the end there must be found a reasonable viable compromise between necessary cost-efficiency for consumers and practical feasibility for product providers.
			
			A number of members are supportive of the all-inclusive cap, for the following reasons:
			
			- Recital (55) and Art. 45, paras (2) and (3) provide the basis for EIOPA's proposal for an all-inclusive approach towards the fee cap for the Basic PEPP. This follows from the fact that the co-legislators delegated power to the EU Commission (and, subsequently, EIOPA) to ascertain only what categories of fees and costs *inherent and specific to the product* should be excluded for the purpose of ensuring a level-playing field. As the cost of advice (or distribution more generally) is not a specific cost for certain types of PEPPs, but is a service common to all – and mandatory – there is no legal basis to exclude this category from the 1% fee cap.
			
			- While it may be useful to reconsider and eventually change position on the inclusion of the cost of advice if the PEPP product has a low take-up, the 1% cost cap with an all-inclusive methodology should at least be tried. Financial innovations such as ETFs make it possible to reduce fees, and the ambition of PEPP is to reduce fees through economies of scale. This chance should be seized via the 1% all-inclusive cap.
				phase of launching the first PEPPs, EIOPA is not mandated to change the design of the cost cap.
				
				EIOPA's considerations were guided by the concern to reach a level playing field amongst different Basic PEPPs, as required by the legal basis.
				
				The mandatory advice and the costs for bearing them falls on all providers in a Member State and all Basic PEPPs, therefore, it is not a 'level playing field' issue.
				
				The costs for the initial advice can be amortised over the initial term of the contract (minimum of five years).
				
				EIOPA want to highlight that automated processes and the use of digitalisation in the future have the potential for cost

No	Name	Reference	Comment	Processing
			- The product providers and EIOPA/NCAs already have concrete and practical experience with cost calculation and cost disclosure based on the PRIIPs Regulation. These cost structures may efficiently be used for PEPP as well, with the exception of additional costs for any national "compartments". Any new cost structures, calculations and disclosure rules will be more costly than the consistent application of the already existing one, because, again, PEPP is not a completely new pension product category, but it is fundamentally based on already existing long-term PRIIPs and IBIPs. - In order to be a low-cost product, the most important issue for the Basic PEPP is to be a SIMPLIFIED product: straightforward investment/accumulation structure, online distribution, and reliable understandable pay-out options. There must not be any "hidden" distribution, administration or management fees! From consumer's perspective it has become obvious that the disclosure of calculations of costs and of returns is only a first step. If products are too complicated, even customers with high level financial education will not be able to understand them, and therefore effective consumer protection is impossible. A number of members note that Article 45, paragraph 2, of the PEPP regulation clearly and explicitly specifies that "The costs and fees for the Basic PEPP shall not exceed 1 % of the accumulated capital per year." Therefore, excluding ANY categories of costs from the 1% limit would breach Article 45(2) of the PEPP regulation. If there are too many exemptions, it will be difficult to build trust around the PEPP. Only 'independent advice' given by any fee-based advisors or brokers could be possibly exempted. - Such caps have been tested in the past: several Member States have a fee cap in place, including the UK for occupational pensions. However, these may not be comparable situations because those products with caps are typically workplace distribution, automatic enrolment mechanisms and compulsory advice is not part of the cap. - According to independent studies the average overall fee for the US domiciled PPPS is below 1% and the study on life cycle pensions from Bocconi university is based on a 1% overall annual fee. - Consumer confidence for the PEPP is very important. They must be assured that 1% means 1%. - If it is not possible to deliver the PEPP with 1% one could ask whether it is good to buy a PEPP. Within the Basic PEPP there should be no further differentiation between mandatory and nonmandatory features which could lead to the result that the fee cap does not apply. It should not be allowed to	savings, in particular for distribution costs.

No	Name	Reference	Comment	Processing
			sell a PEPP with higher costs than 1% for whatever reason. If you have specific features with more costs you must choose the non-Basic PEPP. - There must be some kind of cost pressure on the industry as long as profits are high. - From the consumer point of view, the PEPP presents serious hope to achieve a vision of sustainable, low-cost financial product offering for consumers. The all-inclusive approach suggested by EIOPA, requiring all of the relevant costs and fees to be included within the cap, is welcome. - The cap, as negotiated, should not be diluted by ANY type of exceptions. If financial sector players are able to deliver a viable product at 1 percent or below – consumer expectations are fulfilled. If not, in two years' time, a revision is imminent and further changes to the regulatory regime can be discussed. - It is critical that the cost of advice should be included within the fee cap for the Basic PEPP. Digital distribution of the PEPP product could help future PEPP providers to provide cost-efficient advice to consumers. - On the contrary, the early exclusion of any types of specific cost classes will destroy the promise associated with the PEPP product. If certain types of costs are excluded from the cap, the race to add another cost element eligible for exclusion will begin. In the end, the very essence of a cap will be destroyed, hopes for a low cost product will be ruined, and, more importantly, public trust of policy makers will be severely damaged. - The commitment to a low-cost product is a noble one. The lessons from the introduction of the Personal Retirement Savings Account in Ireland do not offer grounds for hope. See for example Maloney, M., & McCarthy, A. (2017). Pension provision by small employers in Ireland: an analysis of Personal Retirement Savings Account (PRSA) using bounded rationality theory, The Irish Journal of Management, 36(3), 172-188. doi: https://doi.org/10.1515/ijm-2017-0018 - A possibility that might be acceptable to stakeholders is to have a permitted variation on a five yearly basis whereby if returns exceed the aggregate of a rate of inflation and a rate of return on a long dated treasury instrument by a set amount, then a higher rate of fee might be acceptable. What would the higher rate be for? If investment markets in aggregate perform well, then the higher fee could well be a windfall gain largely independent of supplier performance.	

No	Name	Reference	Comment	Processing
			- It does not bode well if the element of the value proposition that is discarded is the advice element. Suppliers have much cost in their value chain: rents, marketing, administration, fund management, strategy, legal costs etc. It would be good to see some squeeze on these elements using Target Costing and Lean Management principles before discarding the advice component. - Stakeholder pensions were originally introduced with a 1% fee cap. This did not include the cost of advice. Following industry pressure, the cap was increased in 2005 to 1.5% for the first 10 years of saving, 1% thereafter. It will be difficult for providers to meet the 1% cap if the cost of advice is included. The only way this can work is if advice is online and automated. However, excluding the cost of advice from the cap may mean that people who buy a PEPP early on are disadvantaged if the cap later includes advice. **Another group of members consider that that the 1% cap is not viable, for the following reasons:** - If EIOPA adopt a “all inclusive” approach it will be difficult for potential providers to establish viable business models to distribute PEPPs, and it might have unintended consequences to clients, since a cheap product does not necessarily mean a good investment or the best choice. - Article 45(3) of the Regulation requests that EIOPA develop draft regulatory technical standards specifying the types of costs and fees that should be covered by the fee cap in order to ensure a level playing field between different PEPP providers and different types of PEPPs. If an “all inclusive” approach is taken, there is a huge risk that there will be no level playing field because there will be no PEPP market. Under this scenario, the PEPP will share the same fate as the European Long-Term Investment Fund (ELTIF). - No provider will be able to expect to benefit from scale economies in a market that will remain fragmented, as long as the tax incentives provided at national level will remain different across the European Union and linked to different product features. - The obligation to offer national sub-accounts for at least two Member States will result in an additional cost. The uncertainty and the cost relating to the portability services should be taken into account a thorough impact assessment.	

No	Name	Reference	Comment	Processing
			- The competition with existing personal pension products will remain fierce for the foreseeable future, for two main reasons. Firstly, these products benefit in general from tax incentives and have a track record. Secondly, the providers and distributors of these products are subject to country-specific rules, which are integrated in their business processes. Providing and distributing the PEPP would imply switching to another regulatory regime, which will be in general be more stringent and therefore less financially rewarding. It is unclear how PEPP providers will be able to be successful in this market environment, especially if they integrate in their business plan some meaningful marketing campaigns. - In this context, it is useful to highlight that the coverage of Croatian personal pension savings has been unsatisfactory in nineteen years, mainly because of too low fees for sales agents compared to other products on the market. Distribution cost are one-off costs and having in mind the long-term nature of the product they will not impose material burden on PEPP savers, on the other hand, they can be crucial for a successful launch of the PEPP. - Therefore, offering the PEPP will require a strong marketing effort based mostly on face to face meetings, which are likely to take at least 1.5 – 3 hours for Basic cases and longer more for complex cases. - There are different distribution strategies across Member States (direct selling, through banks, digital platforms …), and the PEPP Regulation requires PEPP providers or PEPP distributors to provide advice before the conclusion of any PEPP contract, establishing the possibility of doing it “in whole or in part through an automated or semi-automated system”, which, may be charged directly to the PEPP saver or consist in a portion of the management fee that is paid by the PEPP. It is unclear how such arrangements could be put in place without creating competitive distortions in the market. Crucially, a further factor will depend on the remuneration of the advisers offering a non-PEPP alternative personal pension product (PPP). If the PPP allows advisers to receive a higher remuneration, there will be a bias against the distribution of the PEPP. - The PEPP is a personal pension product, not a workplace pension - default investment strategies in workplace pensions in the UK are subject to a 0.75% fee cap which according to some policy makers has provided a justification for the 1% fee cap. However, an occupational plan based on auto-enrolment has a very different cost structure from a third pillar pension product such as the PEPP, which is subject to different distribution costs and mandatory advice. Hence, the ability of UK providers to supply workplace pension products within the 75bps cap is not be a good guide to a third	

No	Name	Reference	Comment	Processing
			pillar product in the more fragmented European market, where the cost of customer acquisition is likely to be quite high. Overall, the UK experience on the 75bp charge cap shows that while costs have gone down, the impact on investment has led to lower levels of diversification and a desire to minimize investment costs, regardless of the possible impacts on members' outcomes. - Small amounts will be saved in the PEPP, at least initially – this is because the tax incentives are likely to be modest. It will therefore be extremely difficult, if not impossible, for providers to develop a viable business model. - Providing in person, high quality advice is a complicated and costly task - what is required by the Regulation (on three occasions (PEPP regulation articles 20, 34 and 60) is not a guidance but a personal recommendation, which will involve undertaking a know-your-customer procedure, assessing the savers' needs, risk appetite and eligibility for the tax benefits, providing a personalized recommendation, and explaining the contract details and arrangements. It should also be taken into account: o Most consumers are not mindful / willing to save early for retirement o They often have no idea on what they have in their existing pensions schemes o The PEPP is a NEW product and will compete with current local pension saving products o As the current level 1 regulation doesn't define precisely the actions covered by the mandatory advice, it is likely that NCAs would refer to the MiFID2 standard when they would label the PEPP. Our compliance departments could also refer to this Delegated regulation (EU 2017/565) **Considerations on the potential role of robo-advice** Whilst robo/automated advice may appear as a cost-effective solution in the future, some members consider that the existing solutions would not allow to comply with all the rules set in Article 34 of the Regulation for the provision of advice. They also stress that the cost of robo-advice should not be under-estimated due to the costly investment needed to develop them and the need for tailoring the solutions to every market's tax, social security, systems. Furthermore, they consider that there is plenty of evidence confirming that the majority of individuals prefer receiving advice from a human financial adviser. This view is not shared by some other members of the Groups, who strongly believe that robo-advisors will become one of the important distribution models for the PEPP, giving the pan-EU and distance nature, and the reduced costs.	

No	Name	Reference	Comment	Processing
			The Groups also exchanged views on the quality of the advice provided by robo-advisors, and discussed in particular the following recommended made by BETTER FINANCE in its 2019 edition of the Robo-advisory business:[8] *'Considering the low quality and suitability of some algorithms assessed in this report and the increasing use of Artificial Intelligence in our the society, in particular in the financial sector, we believe that legislators should propose a legislative framework that ensure that Automated-Decision Making (ADM) systems as Robo-advisors are accountable, transparent and fair for EU citizens. The algorithms of Robo-advisors need to be developed on criteria that comply with the legislation (MiFID II) with regards to the investment advice process, in order to ensure a harmonised, minimum level of quality.'* Some members of the Groups stress that this recommendation confirms that the reliability of the rob- advisory business to provide suitable investment advice is too weak. New algorithms will need to be developed to comply with the requirements set in the PEPP Regulation for the provision of advice. This will take time. Other members of the Groups draw a different conclusion. In their view, the financial industry and policymakers should take the BETTER FINANCE's recommendation as an inspiration to significantly improve the quality of robo-advisors in order to be appropriate for a pure online model of contract conclusion. They also note that the Groups' November position on PEPP stressed that "*young people as a particularly important Groups s, where the demand for digital and online distribution may be higher and may therefore be an incentive for them to consider investing in a PEPP* […] *Digital distribution could help to reduce costs, which is considered important in the context of the 1% fee cap*". These members consider that while for some providers of such services it may not be clear whether the platforms fully comply with the suitability and personalisation requirements of MiFID II framework, the market is mature enough in order to take on this task. In particular, they refer to the already established platforms of large asset managers, which are an important addition to the smaller and newer "start-ups" providing robot-advice and execution. Moreover, in relation to the abovementioned quote, while recognizing that some market participants may have to further work on their algorithms and transparency thereof, these members consider that there is is	

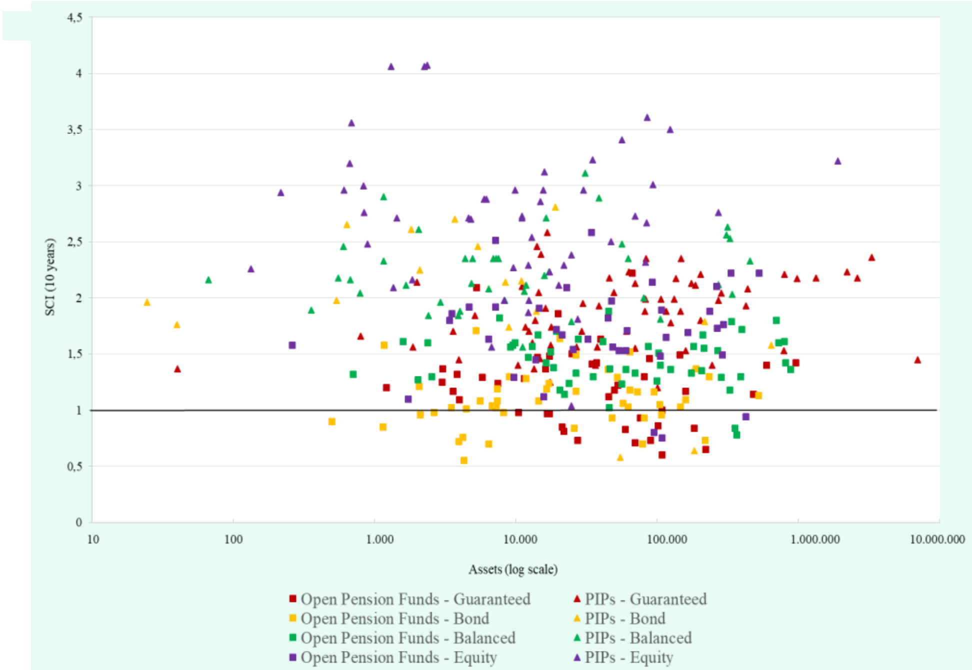
[8] See https://betterfinance.eu/publication/robo-advice-a-look-under-the-hood-2-0/.

No	Name	Reference	Comment	Processing
			no reason to believe that (i) there is no market for automated investment advice and distribution and that (ii) human advisors are doing a better and cheaper job. Finally, the Groups confirmed the following view expressed in the November advice: "***Online distribution of PEPP is possible****, and already a standard practice in several European markets depending on local rules and customs. However, online distribution of PEPP will indeed need to consider the mandatory duty of advice applicable to the Basic PEPP as required by the PEPP regulation. A blended approach is likely to be of greatest benefit to customers, with much of the preliminary framing of a customer's profile conducted electronically. Later in the pre contractual process some mix of electronic and individual interactions should be possible either in person or audio visually, with final documentation being issued electronically. Younger customers are likely to favour conducting business in this manner in the first instance. Cross border and migrant workers will favour conducting these financial transactions in their own language, using expressions that are culturally appropriate*." **Considerations on transaction costs** Some members are also of the view that transaction costs should be excluded from the fee cap as these costs relate to the payment of a broker on the purchases or sales of securities and the payment of taxes and levies to Governments and/or regulatory bodies or exchanges. The brokerage fees are paid to invest contributions received or meet withdrawals and to achieve positive performance. The higher return expected from the purchases and sales of securities is good news for savers. The inclusion of transaction costs in the fee cap would create an incentive to invest in passive investments away from investments in SMEs and infrastructure, as desired in the CMU initiative. This would translate into missed opportunities to make gains or limit losses and would therefore be detrimental to PEPP savers. Furthermore, it is extremely unclear how to cap a cost that would include implicit elements of the investment process such as the bid-ask spread. In the case of these transactions, there are indeed no fees paid by anyone and the calculation of implicit transaction costs would probably be inoperable. Against this background, a number of members propose that EIOPA structure the fee cap in a way which focuses on the cost of manufacturing and administration and excludes advice and distribution costs. Once the dynamics of the new PEPP market are more clearly established, a review of the fee cap structure could be considered.	

No	Name	Reference	Comment	Processing
			In the meantime, the transparency of costs, already foreseen, will be a useful tool to enable savers to make an informed choice but also to boost competition and ultimate drive costs down for providers to stay competitive in the savings landscape. **Country-based data on the cost of advice** Some members of the Groups stress that the evidence provided below on the cost of personal pension product provision, both in Europe and in some large markets outside of it, shows the challenge of including the cost of advice within a 1% charge cap. • Data from **Italy**, **Australia** and the **UK** show that personal pensions have a higher cost than occupational pensions because they are subject to distribution and advice costs. • Data from the market in **Italy** shows that only three pension products following an equity-based strategy have a cost below 1%. This number would be reduced to zero if transaction costs are taken into account (see chart below). This confirms that an "all inclusive" fee approach will reduce very much the offering of Basic PEPPs based on a life-cycle investment strategy because those strategies require managing a relatively high level of equity exposure.	

Italy – Year 2108 - Open Pension Funds (OPFs) and PIPs – Synthetic Cost Indicator (SCI) of individual sub-funds

Symbols and colours indicate different kinds of sub-funds - see below; SCI refers to a membership horizon of 10 years

No	Name	Reference	Comment	Processing
			 - Recent data from the Financial Advice Market Review launched in the UK by the FCA and HM Treasury in 2015 confirms that the on-going cost of advice is higher than 0.60%, which comes in addition to an initial charge close to 3% (see table below).[9] The Financial Advice Market Review (FAMR) launched in the UK by the FCA and HM Treasury has identified a range of indicators which have been designed to give us a snapshot of the market for financial advice and establish a baseline. FAMR is intended to create the right conditions to make the market for financial advice work better for consumers. The study details the types and levels of adviser charges made by firms as well as their operational costs. The study shows that the most common method of adviser charging offered is a percentage fee based on the size of investment. <u>Overall, percentage charges were on average just over 3% for initial advice and almost 0.7% for ongoing services</u>. Restricted advisers recorded slightly higher initial	

[9] https://www.fca.org.uk/publication/research/famr-baseline-report.pdf.

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charges but slightly lower ongoing charges than independent advisers over the period. From the data, the mean average initial charge was 3.12% and the median average initial charge was 3%. The mean average investment amount was £90,000 whilst the median investment amount was £24,000. For illustration purposes, this would equate to a mean average initial charge of £2,808 and a median average initial charge of £720. The costs of providing advice include the costs of marketing expenditure, staff costs, insurance costs and regulatory costs and fees.

Fee type	Restricted advice	Independent advice	All advisers
Initial	3.57%	2.81%	3.12%
Ongoing	0.63%	0.72%	0.69%

Source: Financial Advice Market Review – Baseline Report (June 2017)

- Data from **Australia** confirms that the costs of life-cycle strategies offered to savers by very large profit-for-member workplace superannuation funds are close to 1%, excluding the cost of advice. The data also confirms that the total cost of small pension accounts excluding the cost of advice is significantly above 1%.

QSuper fees breakdown

The cost of managing your account is split into administration fees, investment fees, and indirect costs. We calculate and take the fees out before we declare the unit price, every working day.

Investment option	Administration fee p.a.[1]	Investment base fee p.a.[1]	Investment performance-based fee p.a.[1]	Indirect cost ratio p.a.[1]	Total fee p.a.[1]
Lifetime Outlook (age under 40)	0.16%	0.33%	0.33%	0.11%	**0.93%**
Lifetime Aspire (age 40 to 49)	0.16%	0.27%	0.26%	0.10%	**0.79%**
Lifetime Focus (age 50 to 57)	0.16%	0.23%	0.22%	0.07%	**0.68%**
Lifetime Sustain (age 58 and over)	0.16%	0.17%	0.13%	0.04%	**0.50%**

No	Name	Reference	Comment	Processing
			Source: https://qsuper.qld.gov.au/our-products/our-fees/fee-details **Treatment of the cost of guarantees** The Groups have split views on this point. **Views in favour of excluding the cost of guarantees from the fee cap** One group of members, mostly representing the insurance industry, believes that guarantees are sectorial features which are different in nature in comparison with other risk mitigation techniques, for the following reasons: - Both "life-cycling" and "pooling and smoothing" leave the risks with the customers (either with customers on an aggregate mutualized basis or with customers individually). - A guarantee transfers risks away from the customer to the (insurance) company. The premium charged for guarantees are also different and go beyond the costs implied by other risk mitigation techniques: - Insurance companies providing guarantees will have all the same type of costs as those companies providing life-cycling or pooling and smoothing: fund management, asset liability management and transaction costs resulting from the need to buy and sell individual assets and to re-balance the portfolios over time. - They will also have additional and specific costs due to the provision of the guarantees: the "option value" of the guarantee and the costs of meeting the solvency capital requirements (quantified by Solvency II in the "Risk Margin"). It is the view of these members that these fundamental differences were acknowledged by EU policymakers during the PEPP negotiation and highlighted in the following provisions: - Recital 55: "In drawing up the draft regulatory technical standards, EIOPA should, in particular, consider the long-term nature of the PEPP, the different types of PEPPs and the cost-relevant	

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			factors linked to their specific features, so as to ensure a fair and equal treatment of the different PEPP providers and their products while taking into account the character of the Basic PEPP" (…) "Within that framework, in order to ensure that PEPP providers offering a capital guarantee benefit of a level playing field with other providers, EIOPA should duly take into account the structure of costs and fees". - Article 45(3): "EIOPA shall also assess the peculiar nature of the capital protection with specific regard to the capital guarantee". These members also shared the following comments on the cost of guarantees: - In the PEPP context, the only relevant and useful figure is the amount charged by the company to the customers for the guarantee. Under PRIIPs, the total amount charged to the customers including the costs of the guarantee are already fully transparent. Therefore, in the PEPP context there are no new charges, only a question to define how to split the total charges between those related to the guarantee and the rest. - The suggested definition of the costs of guarantees on page 20 as corresponding to the full premium charged is not correct. The cost element of a guarantee is only one part of the premium. This cost element corresponds to what a product manufacturer is gaining from providing the coverage, whereas the total premium corresponds to what savers are paying for the service. Similar discussions already took place in the context of PRIIPs, where it was acknowledged that biometric premiums are not a cost. Therefore, EIOPA suggested definition correspond to the "price of guarantees". - The reference to "opportunity" costs in relation to guarantees costs on page 32 of the draft advice is wrong. Opportunity costs have nothing to do with what is charged to savers but correspond to what could have been achieved when doing something differently e.g. investing at higher rate and therefore is not related to a certain product feature such as a guarantee. - In some cases, it may be straightforward to identify charges that company makes specifically for the guarantee (third party guarantee). Most of the time, splitting the additional guarantee costs can be less straightforward. Guarantees are not a simple add-on but an inherent feature of the product.	

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			- Any available methodology that we are aware of (Solvency II option value, PRIIPs fair value, profit-share approach) have their limitations and care should be taken to avoid artificial/indicative figures. Some methodologies could measure the theorical economic costs, which do not correspond to actual costs paid by savers. - Therefore, each PEPP providers would have to submit their proposed methodology which shall be reviewed by the national supervisory authority as part of the PEPP registration process. On a related topic, this group of members also consider that the costs for offering biometric risk cover (i.e. payment in case of death) or switching, should also be excluded from the fee cap, as they are not required features of PEPP or are separately regulated (for switching, in accordance with Article 54 of the PEPP Regulation). Therefore, in order to avoid an un-level playing field, such specificities should be captured and listed having in mind that such costs have to be clearly identified to provide transparency of the PEPP costs. **Views in favour of including the cost of guarantees from the fee cap** Other members of the Groups believe that the guarantee should be included under the costs considered for the 1% cap. These members believe that if the cost of the guarantee is borne by the consumer, it is important to include it under the fee cap. These members also believe that not including the cost of the guarantee would create a competitive disadvantage for asset/fund managers offering a life-cycling option and would incentivise providers offering a guarantee to shift other costs into the cost of the guarantee. These members have a different interpretation of the Level 1 Regulation, on the following ground: - If the exclusion of the cost of the guarantees would allow to insurers to offer the Basic PEPP whereas the all-inclusive approach would prevent all other potential providers to develop a viable business case for the PEPP, there would be no playing field between providers, as the PEPP could only be offered by insurers. - There is no consensus in the industry and among Academics on a model a) apt to price them correctly, b) reasonable to implement. In the absence of a consensus among professionals and academics on a safe and sound model to price long-term guarantees, it will indeed be difficult for EIOPA to suggest a specific model. This means that NCAs would have to develop their criteria, which would create barriers between members which would hamper the smooth functioning of the PEPP market and	

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			create level playing issues between member states. As an alternative to the cost of the guarantee, these members suggest to exclude the cost of advice. In the absence of a well-recognized way to calculate the cost of the guarantee, different suggestions were made to address this problem. For instance: - One way could be to base this on the methodology specified by Solvency II calculations. This could be done by including the option value of the guarantee, as required under Solvency II for the valuation of technical provisions, as well as including the cost of providing Solvency II capital to back the guarantee based on the risk margin methodology. - Another way would be to request that product providers calculate the returns of the products with and without all cost of guarantees they have included. The difference between the two monetary figures should be disclosed and presented as the costs of guarantees. These members also believe that, in the case of a pure nominal "capital guarantee" net of accumulated fees at maturity, there must be a prominent warning that the guarantee does not cover accumulated fees and inflation and may therefore result in a severe loss of the purchasing power of the PEPP at maturity. It would also be useful if EIOPA could closely monitor guarantees, in particular in the context of the low interest rate environment. In this context, EIOPA could establish a European level dialogue to assess guarantees. If insurers are allowed to exclude their specific guarantee costs, then – for reasons of level playing field amongst the product providers – other providers who would manage to offer a PEPP with a guarantee by cooperating with credit institutions and insurance companies, should also be allowed to exclude the costs of these techniques from the fee cap. More information about how IORPs can offer guarantees can be read on *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3354549*.	
7.	**OPSG & IRSG**	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	**Life-cycling** Concerning life-cycling, the Groups believe that the asset allocation switching mechanism used in life-cycling strategies is an effective risk-mitigation tool. They recommend introducing a high-level principle-based approach for all types of risk mitigation techniques, combined with a holistic stochastic model and eligibility criteria to ensure consumers' interest are well protected. There is a need to ensure a level playing field with	Agreed, the criteria have been set taking into account the observations from EIOPA's own stochastic model.

No	Name	Reference	Comment	Processing
			other types of risks mitigation techniques. As it stands, EIOPA's approach to smoothing and pooling as well as to guarantees appears to be much more penalizing than the one for life-cycling strategies. The Groups welcome the suggested high-level/principle-based approach when dealing with life-cycling strategies as there is no need to impose a rigid approach to life-cycling with a prescribed set of asset level guidelines. Introducing excessively restrictive requirements to frame these techniques could challenge innovation on financial markets and defeat their added value (i.e. flexibility) and therefore decrease attractiveness of life-cycling to PEPP savers and providers alike. This being said, the Groups agree with EIOPA that there may be a role for some general enforceable and quantifiable criteria to ensure that PEPP providers can that their investment process is consistent with the risk profile of the corresponding investment option. And in this context, they support the approach proposed by EIOPA whereby the PEPP provider who do not offer a capital guarantee, would ensure that the saver would recoup the capital at the start of the decumulation phase with a certain probability. The calculation of this probability should be based on the use of Monte Carlo simulations, together with threshold conditioning eligibility, to simulate a distribution of investment returns in nominal and possibly real terms. Reliable methods to implement them are accessible to the industry, and supervision is feasible. Monte Carlo simulations are backed by a model for asset returns, whose realizations are the simulations. Gaussian returns, the ones behind models like the Vasicek one in fixed-income returns, or the Black-Scholes model for stocks and options (guarantees), do not need simulations, and can be handled analytically. Asset returns in the long-run are hardly found to the Gaussian and identically, independently distributed. Since Poterba and Summers (1988) or Fama and French (1988), for instance, actual stock market returns have been shown to mean-revert. This property is inconsistent with the Black-Scholes model. That is why more sophisticated models, which do not admit analytical solutions, and must be handled by simulation, are needed. In the Academic, peer-reviewed literature, a number of alternative models have been put forward to explain departures of actual returns in financial markets from the simplifying assumptions used in the Black-Scholes model. Alternatives include VAR models à la Campbell and Viceira (2004), which do feature mean-reversion, or models featuring disaster risk (Wachter (2013)). The latter quite intuitively links the properties of asset returns in the long run to the possibility of sudden, rare crashes (disasters), similar to the ones we experienced since the 20^{th} century. There is no consensus on which model is the best among the ones which can be simulated. After considering the state of different modelling approaches, the Groups adhered to the opinion that further research should be conducted over the next few months within EIOPA, in cooperation among the different stakeholders (Regulators, Academia, Industry), and in the final interest of consumers, before adhering to any specific model.	

No	Name	Reference	Comment	Processing
			The Groups consider that *Article xa* on page 33 of the Consultation Paper should be corrected in the following way: *'For the Basic PEPP, when the PEPP provider does not offer a capital guarantee, the PEPP provider shall employ an investment strategy that ensures, taking into consideration the results of stochastic modelling, recouping the capital at the start of the decumulation phase ~~and during the accumulation phase~~ with a probability of 99%, unless the remaining accumulation phase is less than ten years when taking up the PEPP and where a probability of 95% may be used.'* Indeed, it would not make sense to request that the probability of recouping the capital should apply throughout the accumulation phase because this would eliminate the rationale of allowing the use of life-cycling as a risk-mitigation technique. Indeed, a life-cycle strategy typically gives an important role to equity and other growth assets in the early stage of the accumulation phase to achieve capital growth. Concerning the probability levels that should be included in the Regulation, the Groups agree on the following comments: - The probability should be higher for the Basic PEPP than for alternative investment strategies, because the alternative strategies are not subject to the obligation to be consistent with the objective to allow the PEPP saver to recoup the capital. - The level of the probabilities should be determined taking into account the historical returns data that should be used in the stochastic simulations. If it is required to use a relative short reference period, e.g. last 20 years rather than last 40 years, it would be very difficult to offer life-cycling strategies consistent with a 99% probability of recouping the capital, even after a long accumulation phase. In this context, the Groups agree that the two types of Basic PEPP can be differentiated according to their risk-return profile. Risk-adverse savers will have the possibility to save in a PEPP providing a capital guarantee, whereas less risk-adverse savers will be able to opt for a Basic PEPP aiming at generating a higher return, with a high probability of capital preservation. To most members, targeting 95% for the Basic PEPP would be appropriate, in particular because the PEPP provider or PEPP distributor will have a role to play by explaining why a particular PEPP would best meet the	

No	Name	Reference	Comment	Processing
			PEPP saver's demands and needs. In providing this advice, they will need to consider if the fact that guarantees are a useful tool to nudge more risk adverse savers into saving for their pensions. - Some members understand why EIOPA's proposed to lower the probability of recouping the capital if the remaining accumulation phase is less than ten years. The main reason is that the longer the investment period is, the less likely adverse market developments will result in a capital loss. This is a key finding of research undertaken by the OECD on this topic, which confirms that shortening the contribution period reduces the probability that individuals will recoup the capital at retirement. If the same – very high – probability were to be offered to savers of all ages, the providers of life-cycle strategies would have to invest mostly in low risk assets to ensure that people who start to save only a few years before retirement, recoup the capital with a very high probability. This would come at the expense of younger savers who can afford holding more risky assets <u>all along the glide path</u> because they save over a long period of time. To avoid confusing savers, the PEPP KID should provide clear indication about the two probabilities levels associated with the Basic PEPP using a risk-mitigation technique. In addition, the PEPP provider or PEPP distributor should provide the necessary explanation when giving advice to the prospective saver, in line with Article 34 of the Regulation. It would then be up to the saver who would start saving less than ten years before retirement to choose between a Basic PEPP with a slightly lower probability of recouping capital, a Basic PEPP with a capital guarantee, or non-basic PEPP. In taking this decision, the saver will most likely take into account the fact that all Basic PEPPs will in general have a lower cost. - Other members believe that it would be extremely confusing that savers are entitled different levels of protection when purchasing the exact same basic PEPP depending on the remaining timing. If the duration would prevent a basic PEPP from meeting its objective, and the saver was able and eager to take more investment risks then could be advised to purchase a non-basic PEPP. Moreover, age restrictions (e.g. limits for starting the accumulation phase, minimum duration of the accumulation phase…) would also help addressing this issue. These are part of the conditions related to the accumulation phase which are left at Member States' discretion in article 47(2). - Likewise, the possibility to extend the last phase of the life-cycle beyond the expected end of the accumulation period in case of adverse economic developments within three years before the expected end of the remaining duration of the PEPP saver's accumulation phase, should be clearly explained to savers, when available. In particular, the savers should understand that such 5 years buffer would not shift risk away from the savers. Hence, the importance that the savers give his/her explicit consent to the extension. In offering this possibility, the providers will need to assess whether	

No	Name	Reference	Comment	Processing
			this option would be authorized by the national tax, social and labour laws. Clearly, providers will need to obtain the saver's explicit consent and check that this may be legally permitted. It should be noted that some members of the Groups consider that this extension cannot be considered a risk mitigation technique. Finally, the Groups consider that the life cycling framework needs to be considered not just in terms of the accumulation phase but also in the post retirement phase up to the date of death. The income needs and consumption patterns post retirement should be reflected in a model of decumulation that articulates appropriately with investment patterns and portfolio configuration up to and at the retirement date. In fact it may become more appropriate to speak of a retirement transition or phase, as PEPP holders move away from a single retirement date to a more gradual exit from the labour market that could involve an income mix of (i) a reduced wage/salary (ii) combined with a drawdown from a pension fund. This is likely to be an emergent reality for an increasingly healthy active labour force with increased life expectancy and an economy dominated by the service sector supported by technology. **Establishing reserves** The "pooling" of individual assets in a collective fund allows providers to benefit from a larger scale and to increase their exposure to a wider range of assets classes. The "smoothing" of returns aim to reduce the direct impact of market changes on the fund investment which means that investors are less directly exposed to rises and falls in the value of their investment over the shorter-term. As a result, pooling and smoothing techniques are an alternative and a less risky way for savers to access certain types of investments while benefiting from the certainty of long-term average returns. For these techniques to bring their expected benefits (combining the best of both worlds ..ie. safety and performance), it is important to maintain a rather flexible framework with requirements and details limited to those areas necessary (such as transparency on allocation mechanism) and to not create unnecessary constraints on how P&S can be implemented by companies. For instance, the segregation of PEPP assets the "segregation of PEPP assets" does not lead to unnecessarily strict ring fencing. Eligible PEPP providers should be able to use their general account, at least for a certain period of time, to enable the launch of the PEPP product on the market and the accumulation of a certain mass establishing the "reserve". This may be more attractive and viable than other options discussed by EIOPA such as providers proving a 10 years loan to PEPP savers. **Guarantees**	

No	Name	Reference	Comment	Processing
			The Groups observe that there is still some uncertainty as regards the definition of guarantees in the PEPP level 1 Regulation. The reference to “guarantees against investment losses” as an example of eligible risk mitigation techniques (article 46(2)(c)) somehow enters in contradiction with general provisions on investment options for PEPP savers (article 42(3)) that distinguish between one and the other. To avoid penalizing PEPPs offering a guarantee, EIOPA should make sure that the comments that will be made on the impact of inflation will not be targeted against the use of guarantees. The communication on inflation should be done via a general warning alerting the saver, using layering tools to enable savers to seek further detailed information. Other members may agree with this proposal, but only under additional conditions: This proposal from the insurance industry shows again that the differences between PEPP and long-term IBIPs (PRIIPs) are not as fundamental as often alleged. In consequence, if ORSA for PEPP may be changed, this change may apply for long-term PRIIPs-IBIPs as well. But it must be assured that capital requirements for short-term PRIIPs remain sufficiently high – especially under the conditions of the “low for long” interest rate period. For consumers it is important to be able to make comparisons of risk/reward profiles and returns not only amongst PEPPs, but between PEPP and PRIIPs-IBIPs as well. Last but not least, some members feat that the regulatory framework applicable to insurance-based guaranteed PEPP could prevent insurers from fulfilling their role, in particular in an environment of low interest rates. As it stands, Solvency II — the regime applicable to all insurers and to, in the context of the PEPP Regulation, to the Basic PEPPs that include a guarantee — does not correctly measure long-term risks and as a result is overly conservative. This unnecessarily and adversely affects the cost and availability of long-term products such as pensions, as well as the ability of providers to select an optimal asset mix. Should Solvency II remain unchanged, in a PEPP context, this would have an impact on the performance and diversity of PEPPs on offer. The insurance industry therefore advocates for a proper investigation by the EC and EIOPA — as part of the 2020 Solvency II review and PEPP-related discussions — of the mismatch between the current regulatory approach and how insurers are effectively exposed to risks relating to long-term products, so that it is feasible for providers to offer such products which an appropriate level of safety for consumers but at the same time, meeting their long-term needs. Improved Solvency II requirements for long-term liabilities would help insurers to provide safe, long-term savings products, including PEPPs.	

No	Name	Reference	Comment	Processing
			There may be merit in maintaining some collective investment dimension post retirement, particularly where retirees eschew annuities. This would give retirees access to a wider portfolio of invested assets and potentially reduce transaction costs, as fresh capital inflows from new retirees and other capital needs to be withdrawn to fund retirement income. Such matching might also apply with respect to currencies, as retirees from a number of jurisdictions and currency zones participate in such post retirement collective funds. Where a smoothing mechanism is used, one would expect that the actuarial and other relevant industry professions working with EIOPA would introduce pan European professional standards. These should deliver sufficient ring fencing, intergenerational equity, reporting integrity and managerial principles. These statement should clearly delineate how the interests of the customers intended to benefit from this process would be distinguished from those of other customer Groups and from the supplying entities' equity or bondholders.	
8.	**OPSG & IRSG**	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	**Policy issue 1: Providing relevant information on PEPP to consumers** The Groups agree that tailoring the approach for cost disclosure to the characteristics of the PEPP and therefore deviate from the approach taken under PRIIPs for cost disclosure is appropriate. Some members of the groups also believe that the concept of RIY currently used to disclose product costs to retail investors is too complex for many PRIIPs. The fact that the costs include a time horizon and a yield assumption represents a new type of theoretical disclosure that clients have not generally been familiar with. Its complexity significantly increases the risk that, at best, it is ignored by investors and, at worst, it is misunderstood by investors. This is especially the case for one-off entry costs as they are divided over the product's RHP, thus leading the client wrongly to assume that the impact on the initial investment is much lower than it actually is. **Policy issue 2: Implementing the cost cap for the Basic PEPP** The Groups believe that the impact assessment for the fee cap for the Basic PEPP should be strengthened by collecting more hard data on the costs of providing advice. This would allow assessing the extent to which the all-inclusive approach proposed by EIOPA would discourage potential providers from providing the PEPP. Members are split on this question. The representatives from consumer organisations strongly support EIOPA's proposal, and agree with EIOPA that the cost could be reduced by relying on automated or semi-automated advice.	Agreed. Agreed, the impact assessment has been further developed in this regard.

No	Name	Reference	Comment	Processing
			The representatives from potential providers strongly believe that the inclusion of the cost of advice would not allow the market to develop, which means that savers would not have access to cheaper personal pension products in the future. They also believe that most savers prefer to have face-to-face advice than relying on online recommendations. **Policy issue 3: enabling appropriate risks and rewards** The Groups agree with the approach taken by EIOPA to assess which approach should be followed to regulate the risk-mitigation techniques.	Agreed.
9.	**OPSG & IRSG**	Q9. Do you have any other general comments to the proposed approaches?	Portability is one of the main features of the PEPP. However, national requirements make a transfer of pension capital sometimes impossible.[10] This is contrary to the very objective of the PEPP. The IORP II Directive enables Member States to take protectionist measures that hamper the transfer of pension capital. The PEPP should – by all means - avoid this. It should also in the Level 2 text - clearly be stated that the concept of free movement of persons and capital precludes any national measure that may impede the exercise of the guaranteed fundamental freedom or make them less attractive. ***1)*** Generally: There is no consideration of longevity risk. One of the major issues for the PEPP to become a true success story is not only related to the real return at the end of the accumulation phase, but also to the actual amounts of the pay-outs during the decumulation phase as well. Some members pointed the lack of growth of Riester Pension plans in Germany, which seems to be partially caused, at least in part, to the low level of pay-outs during the decumulation phase. Based on this experience, these members consider that the Level 2 regulation of PEPP should include the following provision with regard to the decumulation phase: - If an annuity is offered for the decumulation phase, it must be assured that the mortality tables used for the calculation of the longevity are realistic. Any benefits resulting from a necessary	Partially agreed, most of these issues are outside of the empowerment of the Level 2 measures.

[10] See: 1. K. Borg, A. Minto, H. van Meerten, 'The EU's regulatory commitment to a European harmonised pension product: The portability of pension rights vis-à-vis the free movement of capital', Journal of Financial Regulation, 2019 /5(2)

No	Name	Reference	Comment	Processing
			“prudent” calculation of mortality should be shared with current beneficiaries as well (and not only) with future beneficiaries). - For the Basic PEPP there must be an “all-inclusive” cap of costs of 1% for the decumulation phase in the way as for the accumulation phase. Otherwise despite of good returns at the end of the accumulation phase, the total capital actually used for pay-outs and annuities might in advance be diminished too strongly. **2) Ad section 2.2. (p. 18 et sequ):** For the PEPP benefit-projection the trend of future wages is not relevant because it is a third pillar product where the contributions are generally not linked to wages in a strict sense as in occupational pensions (e.g. a percentage of income). **3**) Regarding the draft-article xa on layering of information (p. 10): The presentation should be in a way to actively engage the consumer to have a look in the different layers; just not distracting is not enough from my point of view.	Partially agreed, the contributions may be linked to increases in salary. EIOPA is required to deliver on its mandate.
			4) Ad Article xc (p. 11): **a)** Ad section 1: The long-term retirement objectives should also include: restriction of early withdrawal, benefit-design, collectively risk-sharing. The is no need here to state that the information should be brief, clear etc, because this is true for all information requirements. **b)** Ad section 2: There should be more details about how to assess the ability of PEPP-Savers to bear investment losses (although not necessarily in the context of information provisions). **c)** Af section 3: The reference to “key features of the PEPP-contract” is too general, there should be a focus e.g. whether the PEPP offers survivor benefits or invalidity benefits etc. **d)** Ad section 6: There should be hint that the conditions of the contract could change! **e)** Ad section 7 lit. b) The regulation should not over-emphasize the negative implications of a contribution-stop because there are cases in which it is better for a saver to make a contribution-stop, rather than cancel a contract. This is for example the case, if a contract yields only bad returns with regard to ongoing premiums, but had good returns in the past which would be lost by early cancellation penalties.	Partially agreed, the requirements have been clarified along those lines.

No	Name	Reference	Comment	Processing
			f) Ad section 8) There should be a hint to the costs for the switching service! **g)** Ad section 9) There should be hint to timing risk (modification at the false point of time). **h)** Ad section 10) There is no added value in this formulation. **i)** Ad section 12) The main point here are the contents already covered by section 7 lit a. **5) Ad 2.5., Article xa (p. 23):** It would be more straightforward to prescribe a minimum period of time (e.g. two days) with the possibility of clients with a major risk bearing capacity to opt out. **6) Ad 4., Article ca (p. 29):** **a)** Ad section 1: There should be coherence with the information provisions. Hence the statement, that the costs are not limited to these costs should be worded in another way to make clear regarding the information provisions (esp. PEPP-KID) that those costs stated in the PEPP-KID are in any way the maximum costs that could be charged. **b)** Ad section 2: Some members wonder whether a PEPP with more functions than the minimum requirements and therefore higher costs is a really a Basic-PEPP. This could also harm consumer trust because they must be assured that the Basic-PEPP has a cost cap of 1%! Otherwise you would in effect generate two kinds of Basic PEPPs, which is not foreseen in the PEPP Regulation. **7) Ad 5. (p. 30):** **a)** It should be clarified whether Non-Basic PEPPs have to apply the same risk-mitigation as the Basic PEPP. And if not, which rules do apply? **b)** At the bottom of p. 30 it is not clear how to link the phases if you have a lump sum and therefore possible two different providers for the accumulation and the decumulation phase. **9) Article xa (p.23)** The Groups express concerns on EIOPA's suggested definition of "in good time" for the provision of the PEPP KID. Requiring to individually assess the time needed for "each prospective or current PEPP saver" to consider the document based on its knowledge, experience, risk appetite based on the product characteristics would create	

No	Name	Reference	Comment	Processing
			too much burden for PEPP providers. Possible legal risks stemming from this requirement would expose PEPP providers to an unquantifiable source of litigation and undermine the PEPP business case. It is also unclear how such provision - given the level of details e.g. national conditions for early redemption - would work without human interaction e.g. online sale with robo-advice. The overall direction of travel is appropriate for the provision of supplementary retirement income that complements social insurance-based solutions in Member States. Some members have suggested to align the legal interpretation of “in good time before” with Article 29(1) from IDD and with article 17 of Delegated PRIIPs KID Regulation of 8 March 2017 (EU 2017/653). **10) Rate of return** The actual rate of return being achieved by the PEPP should be included in the benefit statement on an annual basis and on a ‘Years to Date’ basis at 5 yearly intervals from inception. This is important information for assessing performance and for deciding whether to increase or decrease contributions, switch suppliers or other possibilities. **11) Reporting deadlines** According to the proposal a PEPP provider would be required to send the annual information no later than 16 weeks after the PEPP provider’s financial year ends whereas sectoral legislation requires four months (four months can be longer than 16 weeks). Harmonising reporting to the NCA and to EIOPA with the existing requirements covered by sectoral legislation would be welcomed by PEPP providers, as deadlines for regular reporting EIOPA are going to be set up in the delegated acts.	Agreed.
10.	**OPSG & IRSG**	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	The Groups have already given very detailed and balanced comments on this issue raised now again in this consultation in their Joint Position Paper of 15 November 2019 on PEPP, especially with regard to digitalisaton (cf. Question 1). They recommend that EIOPA take those comments into consideration again. Digitalisation, in general, is a powerful tool to improve accessibility to pension savings and increase readability of pension information. Therefore, it can help fostering broader coverage of private pension savings, increasing outreach to different cohorts of the population including the youngest one.	Agreed.

No	Name	Reference	Comment	Processing
			Digital information may allow savers to streamline their decision-making process because they would be able to easily identify relevant information e.g. with the help of visual icons, dropdown menus and tick-the-box approaches. Layering of information in particular, may also help streamlining the quantity of information a saver might need to process. Inspiration could be gleaned from the Dutch pension 1-2-3 template which was designed around the following considerations: - First layer: key information requiring max. 5 minutes reading - Second layer: more detailed information requiring max. 20 minutes reading - Third layer: links to other source of information. We also welcome EIOPA's suggested approach to highlight in the first layer the PEPP key features, as well as the benefits entailed by long-term investments and protective features (eg. guarantees and biometric coverage). We believe it is important to stress protection offered but also and most importantly the practical consequences that might arise when not benefiting from such features using warnings on possible exposure to financial, longevity, mortality, morbidity risks… Finally, for digital information to bring its expected benefits, there is a need to ensure legal certainty establishing the extent of providers' liabilities when providing information in different layers. Clear indication as to whether PEPP providers are liable for certain/all layers is needed, to avoid legal uncertainty and litigation to arise on the ground that a saver has not effectively received certain information, which was made available in the second of third layer. Online distribution of PEPP is possible, and already a standard practice in several European markets depending on local rules and customs. However, online distribution of PEPP will indeed need to consider the mandatory duty of advice applicable to the Basic PEPP as required by the PEPP regulation. A blended approach is likely to be of greatest benefit to customers, with much of the preliminary framing of a customer's profile conducted electronically. Later in the pre contractual process some mix of electronic and individual interactions should be possible either in person or audio visually, with final documentation being issued electronically. Younger customers are likely to favour conducting business in this manner in the first instance. Cross border and migrant workers will favour conducting these financial transactions in their own language, using expressions that are culturally appropriate.	

No	Name	Reference	Comment	Processing
11.	EFAMA	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives? Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner? Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	**KEY MESSAGES** **Fee Cap of 1% on the Basic PEPP** • **All costs should be fully transparent to create an open and competitive market that delivers the best possible outcomes for European savers. The fee cap should be designed in such a way as to facilitate the emergence of this new market, not undermine it.** – In EFAMA's view, the proposal to include the cost of advice within the cap is likely to lead to the PEPP being commercially unviable. Evidence on the cost of personal pension products, both in Europe and in some large markets outside of it, confirms that a 1% cap will be too low to accommodate advice. Hence, the 'all-inclusive' approach proposed by EIOPA would undermine the market, rather than encourage competition. – While technology may make a significant contribution in the longer term, current experience around Europe suggests that the obligations imposed by Article 34 of the PEPP Regulation for the provision of regulated advice will not be met by current robo-advice offerings and will require face-to-face advice. The PEPP is not a product that could be sold in isolation without wider consideration of the customer's circumstances and needs. – If in the end, most potential providers are unable to develop an economically viable business model for the PEPP, the personal pension market will remain largely dominated by existing providers, who may continue to focus on national markets without providing any portability service. The goal of the PEPP to create a level playing field between existing providers and new entrants will not be met. Consequently, savers will not benefit from the expected benefits of the PEPP in terms of product choice, quality of advice and value for money. – EIOPA should therefore structure the fee cap in a way which focuses on the cost of manufacturing, administration, distribution and portability, and excludes advice costs, in order to give a chance to the PEPP to take off. Such an approach would prove more attractive to providers whilst ensuring that the requirements of the Regulation in relation to the cap are met. Once the dynamics of the new PEPP market are more clearly established, a review of the fee cap structure could be considered. In the meantime, the advice cost should be fully disclosed to consumers, so that they can make informed decisions. This would be the most efficient approach to allow the needed development of a large and competitive EU level market for personal pensions and ensure the PEPP delivers best value for money to EU savers. • **The exclusion of the guarantee from the cap appears to suggest that regulators do not recognise the value that lifecycle strategies can offer savers. This works against the principle of level playing field.**	Partially agreed, the initial and set-up costs to launch the PEPP can be expected to be higher than 1% of the accumulated capital of the PEPP savers in the first year. This is acknowledged to be driven by high distribution costs and the mandatory advice regime that equally applies to the Basic PEPP. EOPA's approach allows for the amortisation of the costs for initial advice over the initial term of the (Basic) PEPP contract and therefore alleviates the pressure on the cost cap of the first years. However, the level of the cost cap and the mandatory initial advice is set by the PEPP Regulation and applies to all Basic PEPPs and PEPP providers in a Member State, so that – as such – there is no level playing field issue. EIOPA has

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			– The exclusion of guaranteed products from the cap appears to discriminate against providers of life-cycle strategies whose full costs are included within the cap. It is not clear why a nominal guarantee should benefit from a more favourable regulatory treatment rationale than an investment strategy designed to delivery significant real-term growth over many years. – Whatever treatment EIOPA chooses, it is crucial that the cost charged for the capital guarantee be explicitly and separately disclosed in the PEPP KID and calculated according to a robust, clear and transparent methodology set out by EIOPA. Without having a common methodology, NCAs would need to adopt their own criteria to assess the evidence provided by providers; this would lead to different standards at national level, which would erect barriers to the single market for the PEPP. • **While higher charges will reduce returns in a linear way, transaction costs do not work in the same manner and may vary significantly according to asset class invested in and prevailing market conditions. The charge cap definition will serve to unnecessarily complicate the delivery of effective life-cycle strategies.** – Transactions costs are not payments to fund managers; they are a necessary part of delivering well-designed life-cycling strategies in the markets and managers' fiduciary obligation to investors when incurring transaction costs on their behalf is comprehensively regulated under the MiFID 2 best-execution rules. While higher charges will reduce returns, there is no correlation between the level of transaction costs and returns generated, particularly in less liquid asset classes. Inclusion in the fee cap would be detrimental to PEPP savers because it unnecessarily complicates the investment process for an apparent benefit that has no clear empirical justification. <u>Risk-Mitigation Techniques</u> • **EFAMA fully supports EIOPA's proposal that the PEPP provider should ensure that its investment strategy allows to recoup the capital at the start of the decumulation phase with a certain probability, taking into account the results of stochastic modelling.** • The probability threshold should be set by EIOPA, taking account of the basic assumptions to be used for the necessary stochastic modelling. In view of the low-returns environment in which the world seems to have set in, we strongly recommend the following: – For the Basic PEPP, the probability of recouping the capital should be around 95%, unless the remaining accumulation phase is less than ten years when taking up the PEPP and where a probability of around 90% could be used. – For the PEPP using alternative (self-select) investment options, the probability should be 90%.	implemented an approach that addresses level playing field considerations with regard to different Basic PEPP characteristics. The two different types of Basic PEPPs (guaranteed/non-guaranteed) would create a level playing field issue if the distinctly different nature of the guarantee would not be acknowledged as the additional level of protection of the guarantee (raising the probability to recoup the capital from 92.5% to 100%). Transparent disclosures are necessary for consumers in line with their risk aversion and the additional costs. Partially agreed, it is necessary for the consumer to understand which costs affected the future savings. Transaction costs are expected to

No	Name	Reference	Comment	Processing
			– The PEPP KID should properly inform prospective savers about these probabilities. **<u>The PEPP KID</u>** • **PEPP documentation should be designed both to be digitally delivered and subject to rigorous customer testing to ensure it provides robust but accessible information for a product that will typically be delivered over many decades.** **Summary risk indicator** – A new methodology needs to be developed to take into account the age of the PEPP saver, and the different types of risks savers are facing – investment, inflation and shortfall in relation to expected outcome. – A life-cycling strategy consistent with the goals of recouping the capital and outperforming inflation should not be considered as riskier than a guaranteed product showing a low probability of outperforming inflation. • **Past Performance** – The KID should present past performance for the last 5 or 10 years, where available, to avoid focussing on short-term volatility. – We have strong reservations about the use of EIOPA's ultimate forward rate (UFR) as a proxy for the long-term risk-free rate. It would be misleading to suggest that savers can expect to obtain the current UFR level (3.75%) without taking any risk, in today's ultra-low interest rate environment. – More generally, we strongly recommend not to confuse investors with a benchmark. What might be useful is to link the presentation of past performance to the inflation rate since maintaining the purchasing power of accumulated capital should be a minimum goal. • **Performance scenarios** – We recommend to base performance scenarios on a stochastic basis to provide a whole range of possible outcomes for future pensions, each with their own associated probability. This can provide customers with a better understanding of the range of uncertainty inherent in long term saving. EFAMA supports the principles adopted by EIOPA for the presentation of the information documents.	be deducted from the savings, too. Agreed, the thresholds have been lowered in line with aiming at a high, yet realistic, ambition, which allows for sustainable investments, also in equity and alternative classes. The quantitative criteria have been chosen based on the observations in EIOPA's own stochastic modelling. Agreed. Agreed.

No	Name	Reference	Comment	Processing
			• **The RTS should allow for the provision of the PEPP KID and Benefit Statement by digital means in a way that permits the layering of information.** The core requirements (such as summary risk indicator, presentation of cost, past performance and performance scenarios) should be presented in the first layer. All other information can be detailed in subsequent layers. • **Consumer insight should inform design decisions.** Consumer testing is essential to understand how to engage savers with their pension savings early on so that they get the information they need to determine if the product is providing value for money. A digital version of the PEPP KID should also be tested. • **Disclosure should reflect the time horizon of the product.** Risk and performance in a pension product have to be calculated and communicated differently than an investment product with a shorter time horizon, in particular to avoid discouraging savers from investing because of short-term volatility in the earlier stages of the investment period. Hence, the methodology developed in the PRIIPs Regulation for the calculation of investment risk cannot be applied to the PEPP because the PEPP is very different in nature from a PRIIP. • **Risk and reward.** The summary risk indicator and the performance scenarios/pension benefit projections need to be presented next to another, to help savers understand the positive reward for taking risk in financial markets over a long-term horizon. • **Transparency of cost and information**. It is important that information is presented in a way that is understandable for the consumer. Clarity, simplicity and meaningfulness help investors make informed decisions; hence implementing comprehensive standards on cost transparency will give people the confidence that there are no hidden fees. We provide below comments on the illustrative examples of PEPP KID. By way of introduction, we would like to note that it would have been helpful if one of the two illustrative KID examples had been given to illustrate the content of the KID of a Basic PEPP provided on the basis of a risk-mitigation technique (life-cycling). ***'What is this product?'***	Partially agreed, it was necessary to couple the assessment of the riskiness with the potential rewards. Consistent with the overall framework, that rewards measure has been changed to outperforming inflation. Agreed. Agreed. Agreed. Agreed.

No	Name	Reference	Comment	Processing
			The KID for the Basic PEPP should clearly inform the saver about the specific nature of the Basic PEPP, particularly the fact that the Basic PEPP can be designed on the basis of a guarantee on the capital, or a risk-mitigation technique consistent with the objective to allow the PEPP saver to recoup the capital at retirement. From this perspective, we strongly recommend to reword the section 'Guarantee/risk-mitigation technique'. • There is no need to include 'Basic PEPP' in this section as the top section of the KID should clearly highlight that the product type is the Basic PEPP. • **The text 'No guarantees' should be replaced by 'risk-mitigation technique' or 'life-cycling strategy'.** The text should explain that the risk-mitigation technique is consistent with the objective to allow the PEPP saver to recoup the capital at retirement. • The sentence 'inflation is partially covered' is confusing. If the provider offers a nominal guarantee calculated on the basis of amounts investible after deduction of all fees, charges and expenses, as requested by the Regulation, **the KID should explain the exact nature of the guarantee.** • **The KID should provide a description of the investment strategy** that will be used by the PEPP provider in order to comply with the requirement set in Article 28 (3) (c) (i) of the PEPP Regulation. **'What are the risks and what could I get in return?'** We support the proposal that the KID provide the value of the lump sum that the saver can expect to obtain under three scenarios. We also support the idea of informing savers about the monthly payments that they can expect, provided that these payments are calculated on the basis of a transparent and robust methodology developed by EIOPA. We recognize though the difficulty of pricing a representative annuity to be bought 20 or 40 years after the saver started to save in the PEPP. If developing such methodology proves to be too difficult, we strongly suggest to only refer to the lump sums that could be received at retirement, to avoid giving unreliable information to potential savers. In our view, the value of the lump sum/monthly payments that a saver can expect under the best estimate scenario should correspond to the mean (median) value of assets generated by the stochastic simulations. The value of the lump sum/monthly payments should correspond to the 10^{th} and 90^{th} percentiles of the probability distribution under the favorable and unfavorable scenario.	Partially agreed, the sequence is mandated by the PEPP Regulation. Agreed. Partially agreed, the PEPP Regulation sets out the mandatory wording, sequence and content of the PEPP KID.

No	Name	Reference	Comment	Processing
			We do not understand why the risk indicator in illustrative example A is related to the question 'H*ow likely it is that I will reach my retirement objective?*' This question is not consistent with the view presented in the Consultation Paper that the '*summary risk indicator should link the riskiness of the investment option to the relative deviation of the projected pension projection from the best estimate result*'. In essence, we do not understand how a generic KID could say something about the likelihood that a given investment strategy permits to reach someone's retirement objective, as this objective depends on the retirement-related demands and needs of the prospective saver. In addition, the PEEP Regulation requires that the Summary Risk Indicator should be supplemented by '*a narrative explanation of that indicator, its main limitations and a narrative explanation of the risks which are materially relevant to the PEPP*'. In our view, the main risk relates to the probability not to recoup the capital invested at the end of the accumulation phase, after deduction of all fees and charges. **We have assumed that this information would reflect the outcomes of stochastic projections.** We indeed believe that future projections should be based on a stochastic basis, rather than on a deterministic basis. The problem with deterministic projections is that they yield seemingly accurate estimates of the pension benefit, whilst providing no information as to how likely such an outcome is. In other words, the main drawback of deterministic projections is that they lack probability distributions that permit assessing uncertainty more accurately. On the other hand, stochastic projections provide a whole range of possible outcomes for future pensions, each with their own associated probability. In our view, this approach allows to convey the most valuable information on uncertainty and risks. The table below, which is based on the table presented in illustrative example A, presents the information that could be provided to prospective savers. In presenting this table, we aim at making suggestions to help EIOPA finalizing its work on the KID, reiterating the importance of undertaking appropriate consumer testing. The following comments on the content of the table are also important: • Column 1: the results of the projections should be calculated in relation to the number of years before retirement. • Column 3: it would be useful to give an indication of the capital invested, in nominal terms before deduction of all fees.	

No	Name	Reference	Comment	Processing
			• Column 5: as explained earlier, the monthly payments should be calculated on the basis of a transparent and robust methodology developed by EIOPA. • Column 7: it is important to provide an estimation of the monthly payments under the three scenarios, assuming EIOPA is able to develop a methodology. • Column 8: This column should report the Summary Risk Indicator, which should ideally describe the risk as being low, medium or high risk, as proposed on page 15 of the Consultation Paper rather than relying on a risk class from 1 to 7.	

Favorable scenario · Best estimate scenario · Unfavorable scenario

1	2	3	4	5	6	7	
Number of years before retirement	Your monthly contribution	Your total aggregate capital contributions at retirement	What can saver expect to receive at retirement?		What can I expect to receive at retirement in a favorable scenario? Lump sum	What can I expect to receive at retirement in an unfavorable scenario? Monthly payments	What is
			Lump sum [best estimate]	Monthly payments [best estimate]			
45	100 €						
35	100 €						
25	100 €						
15	100 €						
5	100 €						

There is a 10% probability that you will receive more than the amount shown or a 90% probability that you will receive less.
There is a 50% probability that you will receive more than the amount shown and a 50% probability that you will receive less.
There is a 10% probability that you will receive less than the amount shown or a 90% probability that you will receive less.

No	Name	Reference	Comment	Processing
			In addition to the information provided in the table itself, the KID should provide some explanation. The text we propose is an amended version of the text shown in the two illustrative KID examples: *‘This table shows the money you could get back at retirement under different scenarios and depending on the number of years you are from retirement, assuming a monthly contribution of €100 until retirement.* *The scenarios presented are an estimation of future performance based on evidence from the past on how the value of your retirement assets varies, and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the product (i.e. whether you will hold it until you have reached retirement age). The unfavorable scenario shows what you might get back under unfavorable market conditions, i.e. there is a 90% probability that you will receive an amount higher than the amounts shown for these scenarios.’* Concerning the **summary risk indicator**, we have the following comments. This indicator should be calculated on the basis of a transparent and robust methodology. This methodology should be in line with the following principles: • The calculation of the risk should take into account the age of the PEPP saver to take into account the length of the investment horizon. • The risk should be calculated in relation to the value of assets that the PEPP saver can expect to receive at retirement. • The following risks could potentially influence the quantification of the summary risk indicator: ○ The risk of not recouping the capital invested ○ The risk of not outperforming inflation ○ The risk of not reaching the long-term risk-free rate ○ The risk of not reaching the retirement goal ○ The risk of deviating from the best estimate value of the projected accumulated assets at retirement Against this background, we strongly believe that the value of the SRI should not depend solely on the ‘*relative deviation of the projected pension projection from the best estimate result*’, as proposed in the Consultation	

No	Name	Reference	Comment	Processing
			Paper on pager 15. We indeed believe that it would be very misleading to end up with a methodology that would lead to the following incorrect conclusions: • A PEPP that is consistent with the goals of recouping the capital, outperforming inflation and reaching the long-term risk-free rate with a high probability, can be considered as having a medium or high risk because of the variability of the value of assets at retirement. • A PEPP that shows a low probability of outperforming inflation and reaching the long-term risk-free rate, can considered as having a low risk because savers would know what s/he would receive at retirement with a high degree of certainty. We do not support EIOPA's suggestion to present **past performance** over ten, five, three and one years, because of the long-term nature of the PEPP and the need to avoid focussing on short-term volatility. Instead, we recommend to provide this information for the last 5 or 10 years, or in cases where the PEPP has been provided for less than 10 years, to cover the period for which the PEPP has been provided. On the other hand, we agree that the PEPP Benefit Statement should present the performance achieved during the most recent year because it is a factual account of delivery and, as such, a key measure of accountability of the PEPP provider. However, a comment should remind savers that (i) the PEPP has a long-term investment horizon, (ii) financial markets can be volatile over a short time period, and (iii) the relevant performance should be measured in terms of the level of assets reached at the end of the accumulation phase. We have strong reservations about the use of **EIOPA's ultimate forward rate** as a proxy for the long-term risk-free rate. The UFR concept is largely unknown to most. More importantly, its name suggests that savers could expect to obtain this level of performance without taking any risk. It is sufficient to point out that the UFR for the euro applicable in 2020, which was calculated by EIOPA in May 2019, is equal to 3.75% In today's ultra-low interest rate environment, it would therefore be misleading to suggest that savers can expect to obtain this relatively high level of return without taking any risk. More generally, we note that the Regulation does not require to compare the PEPP performance with a benchmark. We therefore strongly recommend not to confuse savers with a benchmark. What matters for them is the expected return they can expect to achieve at the end of the accumulation phase. We recognize however that it might be useful to link the presentation of past performance to the inflation rate.	

No	Name	Reference	Comment	Processing
			'What are the costs?' We support full transparency of all costs related to the investment management, the guarantee, the transaction costs incurred in delivering returns, and the administration, distribution and provision of advice. We also strongly support the creation of a highly transparent and cost-effective personal pension product. Customers should also be able to benefit from a diverse and competitive market, with scale and persistency of saving helping to drive lower costs over time. The cost table should include the cost of advice as a separate cost item rather than bundling it with the cost of distribution on the grounds that the customer should be able to see the cost for every element of the value chain. It is surprising that the illustrative examples do not include a line to show the cost of the guarantee, as the two examples are related to PEPP offering a guarantee on the capital. **The explicit cost of a guarantee must be disclosed in the KID.** This is particularly important if the guarantee is excluded from the cap in order to ensure that savers are well informed when deciding which investment option would best meet their needs. Concerning the costs of the guarantee, we strongly disagree with the definition proposed on page 20, i.e. *'the premium charged for guarantees, which reflect the market price of the cover against the risk of financial loss, or limiting the financial loss or the cover of biometric and any other risks'.* The KID should clearly separate the costs directly linked to the capital guarantees, from the cost of providing some insurance coverage against biometric risk or other risks. In addition, the costs of guarantee should be calculated according to a well-defined methodology to ensure a level playing field between providers and avoid possible loopholes such as the possibility to include some costs within the guarantee in order to reduce the charge levied under the fee cap. ***Other comments*** **Article xa (1) on page 10:** There are two key operating systems IoS and Android for phones and multiple others for PCs. It is quite a technical challenge to develop fully functional sales and dealing transactional functionality for every system and providers will not necessarily know which system their clients use. Hence, we suggest to soften the wording in the following way: *'Providers should consider the usability and presentational outputs of the PEPP KID on different operating systems*.'	

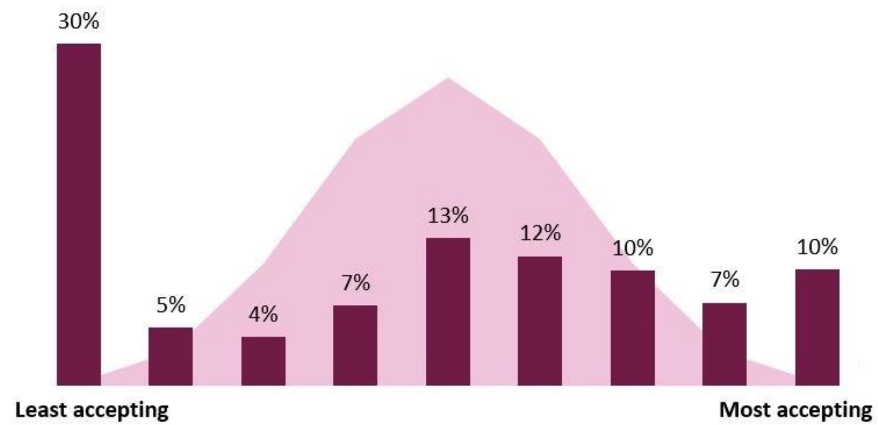
No	Name	Reference	Comment	Processing
			Article xc on page 11: Providers should also be required to outline any tax benefits or contribution limits or other restrictions under local labour and tax provisions to ensure investors understand local restrictions and benefits (if any). However, it should be clear that PEPP providers are not supposed to act as tax advisors; it would therefore be useful to inform savers that they should consult tax advisors if they want to receive advice on tax issues.	
12.	EFAMA	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	In our view, the key assumptions and inputs used for the performance scenarios, pension projections, summary risk indicator and stochastic modelling should be set by an independent body of experts, taking into account comments from practitioners to ensure cost efficiency and business relevance. This is partly about protection for the regulator, which could otherwise find itself in a position of having to justify decisions on areas that may be controversial. Independent oversight helps to resolve this.	Partially agreed, there are merits in mandating an independent body of experts, yet EIOPA had been tasked to regulate the methodologies for the calculation.
13.	EFAMA	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	EFAMA agrees that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA. This is particularly important because the PEPP Regulation will need to be commonly applied by each Member States, unlike the IORP Directive which could be transposed by including local specificities. EIOPA should play the role of arbitrator between a provider and a NCA in case of difficulties in the application for registration of a PEPP.	Agreed.
14.	EFAMA	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a	**1. We agree with an 'all inclusive' approach that would keep the cost of advice outside the cost cap** We regret that a full impact analysis of the cost of providing advice on the PEPP was not conducted. We are indeed convinced that the obligations imposed by Article 34 of the PEPP Regulation concerning the provision	Partially agreed, EIOPA has carried out further research in current cost levels, which has been reflected in the impact

No	Name	Reference	Comment	Processing
		distinct feature, which costs should not be included?	of advice will require PEPP providers and distributors to commit significant financial resources, as they will need to a) obtain highly personalized information from savers (including on their accrued retirement entitlements under Pillar 1 state, Pillar 2 occupational and other Pillar 3 pensions entitlements) to specify their retirement-related demands and needs; b) provide savers with a personalized recommendation explaining why a particular PEPP would be best for the savers, as well as personalized pension benefit projections; c) demonstrate to competent authorities on request that natural persons giving advice on PEPPs possess the necessary knowledge and competence to fulfil their obligations under the Regulation; and d) propose a contract, which the savers will need to fully understand before agreeing to sign it. All of this underlines the fact that the provision of advice on the suitability of the PEPP will involve the assessment of many data points about the individual's specific situation. As most EU member states do not yet have a fully functional pensions dashboard to facilitate this assessment, the process of assessing an individual's needs will be time consuming. The knowledge, experience and financial situation of a consumer will vary. For a younger customer holding no existing pension products, the suitability assessment should be more straightforward than for older consumers. For the younger savers this will be a matter of establishing the retirement need and checking affordability to assess how much should be contributed keeping in mind s/he may have limited access to this money for many years. However, there may also be an assessment required as to eligibility for the tax benefits and explaining any limitations such as the need to earn a certain level of income for example. This information gathering and assessment process will be quite complex and time consuming. As the mandatory advice to be given is not defined in detail in the PEPP Regulation, providers will also have to deal with different requirements at national level. For the older consumer who has already been working for a few years and may have existing pillar 2 or pillar 3 pensions arrangements, there is more information to gather and analyse before a suitability assessment and recommendation can be made. In addition to questions around affordability and commitment to a long term contract with access restrictions to the money once held in the PEPP, other questions might arise, for example: should the individual top up his/her existing pension plan arrangements rather than taking out the new PEPP? This will require an assessment of existing pension contract details and arrangements. Often the consumer is unclear what these are and so time is taken to obtain copies of employers' scheme details or existing personal pension contracts.	assessment. Please see also our responses to comment number 11.

No	Name	Reference	Comment	Processing
			A number of operational questions are also bound to arise. If advice is provided by the saver's own adviser, how will the PEPP provider communicate regarding the cost of advice to ensure that advice remains below the cap? Assuming that the advisers advise their clients on a number of different issues, how will they be able to separate out the cost of advising on the PEPP from advising on other aspects of an individual's savings decisions? In determining the scope of the fee cap, the following considerations are also of relevance. Firstly, a thorough analysis of the cost of providing a PEPP should also take into account the obligation to offer national sub-accounts for at least two Member States, which will result in an additional cost. Secondly, the PEPP will be a new product, which will compete with existing local pension products, which means that much will have to go into marketing the product and how it sits alongside existing personal pension products, other long-term savings and retirement products and how it complements existing national pension savings. **If in the end, most potential providers are unable to develop an economically viable business model for the PEPP, the personal pension market will remain largely dominated by existing providers, which will most likely continue to offer their existing range of products at national level, without providing any portability service. The goal of the PEPP to create a level playing field between existing providers and new entrants will not be met. The market will remain fragmented and competition will not increase in this market. Consequently, consumers will not benefit from the expected benefits of the PEPP in terms of product choice, quality of advice and value for money.** Against this background, **EFAMA strongly believes that EIOPA should structure the fee cap in a way which focuses on the cost of manufacturing, administration, distribution and portability, and excludes advice costs. Once the dynamics of the new PEPP market are more clearly established, a review of the fee cap structure could be considered.** In the meantime, the advice cost should be fully disclosed to consumers, so that they can make informed decisions. In our view, this would be the most efficient approach to allow the needed take-off of a large and competitive EU level market for personal pensions and ensure the PEPP delivers best value for money to EU savers. **2. Limitations of automated advice** EFAMA welcomes the fact that the PEPP Regulation opens the door to the possibility of providing advice through an automated or semi-automated system. However, we believe that robo-advice is not yet ready to	

No	Name	Reference	Comment	Processing
			replace traditional advice and that PEPP providers will not be able in the years to come to rely on this happening as a way to limit the cost of the provision of regulated advice. ***It will take time before the advice gap could be solved by robo advice*** Prospective savers will need to sign a contract and, in principle, undertake to contribute to a PEPP on a regular basis by consuming less. For voluntary, proactive saving, taking this step requires strong motivation, understanding of the long-term benefits of saving for the future and trust in the providers of savings products. It is well established that European citizens have a weak propensity to save for retirement on a voluntary basis, This is an important reason why face-to-face meetings and calls are key to convincing people to start saving for retirement. You cannot distribute online pension products in the same way as consumer goods because most citizens prefer to postpone their decision or consider pensions savings as a complex issue. Recent research into consumer attitudes carried out by the Financial Conduct Authority in the UK confirms that robo advice has a way to go before it could be considered as a solution for widespread and affordable financial guidance.[11] In a nutshell, based on a representative sample of 1,800 individuals, the study shows the following: • A majority of consumers rejected the investment advice offered by a robo adviser. • Attitudes among some consumers were quite polarized. A hard-core of refusers – some 30% -- appeared to have a strong disposition to reject robo advice. The chart below also shows that only 10% of people tended to accept robo advice in almost all situations. • Among those who had rejected robo advice, 72% of individuals indicated that they would prefer to receive in person advice. • Younger consumers are more likely to accept robo advice. However, those who may be the most in need of advice – young people of lower socio-economic status and with low financial literacy – may be least likely to embrace support through robo-advice.	

[11] See article on https://www.fca.org.uk/insight/robo-advice-%E2%80%93-will-consumers-get-programme.

No	Name	Reference	Comment	Processing
			 ***Digital distribution regime encounters difficulties*** Recent industry experience confirms that distributing investment products through robo-advice is not straightforward: • At the end of November 2019, Allianz Suisse discontinued its digital asset management venture Elvia E-invest. The market does not yet show the expected momentum, the company explained in writing the decision. The Swiss market is not yet ripe for a purely digital offer. Instead, the insurer now wants to sharpen the focus on the 'great potential' in personal provision business. With the end of the Allianz-Suisse Robo, the emerging scene of digital asset managers has one protagonist less. For example, robots in Switzerland managed 0.01 percent of the total assets managed in this country, according to an industry study. This study highlighted the fact that the problem is not so much the performance, but the high cost of the offers. • ABN AMRO Bank closed in March 2019 the digital platform (Prospery) it had introduced in Germany in 2017 to provide a comprehensive view of the client's current and potential assets, actively manage their investments and offer remote personal coaching at a fixed fee. According to the Bank, '*the absence of a distribution channel has made it difficult to attract clients and the number of clients interested in using Prospery had not met expectations. Growing the number of clients would involve significant additional investments*.'	

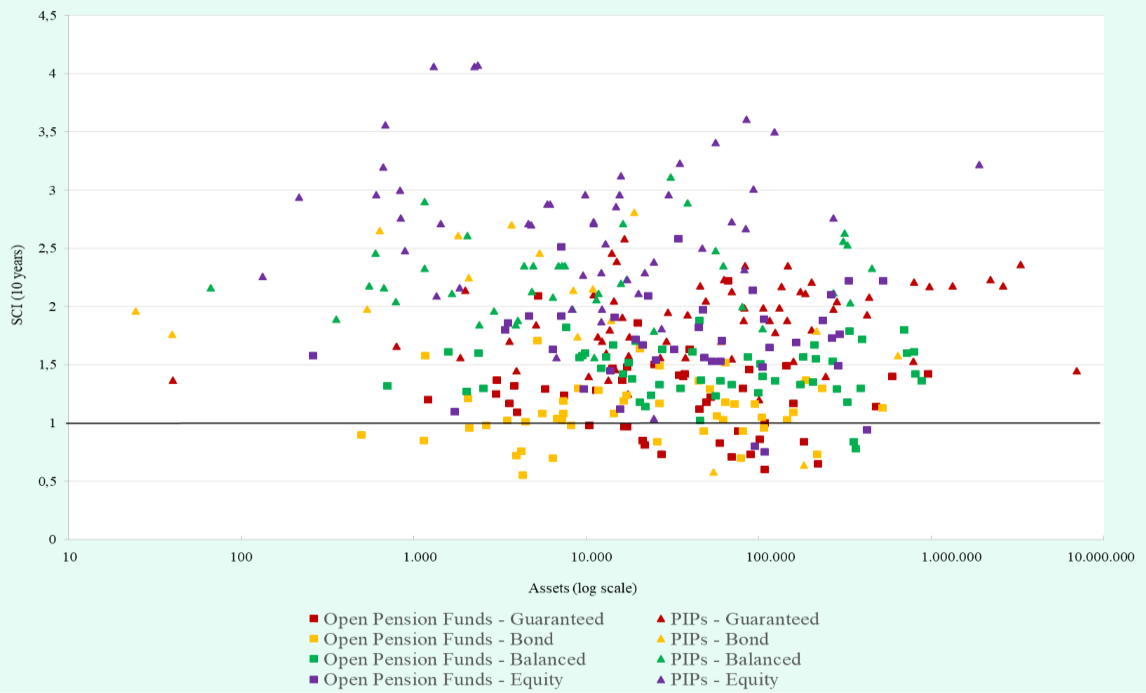
No	Name	Reference	Comment	Processing
			• Santander recently folded Sina, its German online investment manager, less than two years after its inception. In light of this reality, opportunities for growth are increasingly seen as lying within hybrid models where traditional distribution channels are mostly used to recruit new savers and where digital tools can be used in a second phase to optimize their investment allocation/choice. ***Robo-Advice may provide simplistic solutions*** Better Finance has recently published its 2019 edition of the Robo advisory business from the perspective of individual investors and savers.[12] In a nutshell, this report shows the following results: • The algorithms used by the platforms tested in the report do not seem reliable for investment advice. • The different platforms seem to be operating under quite different perceptions of what information is necessary to present suitable investment advice. • Different degrees of suitability emerge from the analysis questioning the quality of the investment advice in relation to the investor profile. • Only a few platforms achieve a high degree of suitability in terms of alignment with the risk profiles. On the basis on these findings, Better Finance makes the following recommendation: *'Considering the low quality and suitability of some algorithms assessed in this report and the increasing use of Artificial Intelligence in our society, in particular in the financial sector, we believe that legislators should propose a legislative framework that ensures that Automated-Decision Making (ADM) systems as Robo-advisors are accountable, transparent and fair for EU citizens. The algorithms of Robo-advisors need to be developed on criteria that comply with the legislation (MiFID II) with regards to the investment advice process, in order to ensure a harmonised, minimum level of quality.'*	

[12] See file:///U:/Documents/Robo-Advice-Report-2019-FINAL.pdf.

No	Name	Reference	Comment	Processing
			This recommendation confirms that promoting the use of automated system to provide a personalized and suitable advice to prospective PEPP savers would be a dangerous road to take for the time being. The reliability of the robo advisory business to provide suitable investment advice is still too weak. New algorithms will need to be developed to comply with the requirements set in the PEPP Regulation for the provision of advice. This will require time and significant investment in IT. Since financial literacy and trust in financial services amongst EU citizens as savers are low, it will take a lot of convincing to persuade savers to rely on robo advice. The issue will be all the more sensitive as savers will have to give away sensitive personal data in particular on their accrued retirement entitlements. Article 34.6 of the PEPP Regulation underlines the importance given by the co-legislators to the provision of high-quality advice, by requiring that PEPP providers and PEPP distributors demonstrate that *'natural persons giving advice on PEPPs possess the necessary knowledge and competence to fulfil their obligations under this Regulation*.' In this context, we find it hard to believe that Member States would trust that an automated system could have the *necessary knowledge and competence to fulfil* to comply with the Regulation's obligations. **3. Country-based data on the cost of advice** ***Highlights*** The evidence provided below on the cost of personal pension product provision, both in Europe and in some large markets outside of it, confirms that following the 'all-inclusive' approach proposed by EIOPA would undermine the will of most if not all potential PEPP providers to enter the PEPP market because they would not be able to offer profitable products. • Data from **Italy**, **Australia** and the **UK** show that personal pensions have a higher cost than occupational pensions because they are subject to higher distribution and advice costs. • Data from the market in **Italy** shows that only three products following an equity-based strategy have a cost below 1%. This number would probably be reduced to lower if transaction costs are taken into account. This confirms that an "all inclusive" fee approach will have a negative impact on the offering of Basic PEPPs based on a life-cycle investment strategy because those strategies require managing a relatively high level of equity exposure, except when the saver is approaching retirement. The data shown below on the costs of life-cycling strategies offered in Australia support this view.	

No	Name	Reference	Comment	Processing
			• Recent data from the **UK** confirms that the on-going cost of advice is higher than 0.60%, which comes in addition to an initial charge close to 3%. Evidence from **Germany**, **France** and **Austria** confirms that providing in person advice costs at least 0.50%. Quantified in monetary terms, a client meeting costs at least €135 (+ VAT). • Data from **Australia** confirms that the costs of life-cycle strategies offered to savers by very large not-for-profit workplace superannuation funds are close to 1%, excluding the cost of advice. The data also confirms that the total cost of small pension accounts excluding the cost of advice is significantly above 1%. • A study from Strategic Insight showed that the average fee paid by investors to get some professional advice in the United States ranged from up to 1.5% for small investment accounts (below $100,000), down to approximately 1.0% for investments around $1 million and less for multi-million dollar accounts.[13] The current cost of regulated advice suggests that this alone could account for 50-100% of the total fee cap in some jurisdictions. ***Country-based evidence – Italy*** Figure 1 below aims at giving an overview of the cost for pension products in Italy, on the basis of available information available on the COVIP website. The Synthetic Cost Indicator (SCI), the figure taken as reference in the table below, is expressed in percentage terms of accumulated capital and includes all kinds of costs, including the cost of the guarantee (where the guarantee is provided), but excludes transaction costs and performance fees. There are two kinds of personal pension products (PPPs) in the Italian market: • **Open pension funds** (so-called '*Fondi pensione aperti*') - they are UCITS-like pension plans open both to individual and to occupational members. The open pension funds are offered by different kinds of financial companies (asset management companies, banks, insurance undertakings) and are officially classified as IORPs.	

[13] See Strategic Insight (2017): "Monitoring Trends in Mutual Fund Cost of Ownership and Expense Ratios: a Canada – U.S. Perspective 2017 Update".

No	Name	Reference	Comment	Processing
			• **Insurance-based personal pensions (“PIP”)** - they are open only to individual membership and can be offered only by insurance undertakings. Both types of PPPs usually have three to five investment options, including a guaranteed option. Figure 1 shows that very few PPPs are being offered in the Italian market within a 1% cost threshold. Basically, those products are open pension funds following a fixed income investment strategy or offering a guarantee. Only three products offering an equity based strategy are below the 1% cap. **Figure 1** **Open Pension Funds and PIPs - Synthetic Cost Indicator (10 years)** *(end-2018 data or more recent data available; assets in thousands of euros, SCI in per cent value)* 	

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			This finding confirms EFAMA's view that including the costs of advice in the 1% fee cap would reduce very much the possibility of offering life-cycle investment strategies because those strategies involve maintaining a high level of exposure to equity and less liquid assets in the early phase of the accumulation phase. Practitioners have the responsibility to alert EIOPA to the risk of ending up in a situation where no PEPP will be offered in the years. This would be all the more regrettable given that the European investment management industry has long supported the idea of creating a pan-European personal pension product.	

Table 1 below confirms that a substantial part of the costs is used to remunerate the costs of distribution and advice. These costs can be estimated by calculating the difference between the Synthetic Cost Indicator of PPPs (Open Pension Funds and PIPs) and Contractual Pension Funds *(Fondi pensione negoziali*), which are the most important kind of occupational pension funds existing in Italy. Typically, these funds are established at industry level and dedicated to workers for which the relevant national labor contract applies. These funds are run as non-profit institutions and are offered directly to workers. As a consequence, they do not have to pay for the distribution and advice services offered to citizens saving in a PPP. This is the main reason why the cost of contractual pension funds shows in Table 1 is considerably lower than the cost of open pension funds and PIPs.

Table 1

Pension Funds and PIPs - Synthetic Cost Indicator by type of investment sub-fund
(end-2018 data or more recent data available; percentage composition)

Type of investment sub-fund		10 years		
		Average	*Minimum*	*Maximum*
Guaranteed sub-funds	Contractual Pension Funds	**0.47**	*0.31*	*0.87*
	Open Pension Funds	**1.21**	*0.60*	*2.22*
	PIPs	**1.87**	*1.20*	*2.58*
Bond sub-funds	Contractual Pension Funds	**0.36**	*0.16*	*0.81*
	Open Pension Funds	**1.10**	*0.55*	*1.71*
	PIPs	**1.95**	*0.58*	*2.81*
Balanced sub-funds	Contractual Pension Funds	**0.35**	*0.18*	*0.81*
	Open Pension Funds	**1.44**	*0.78*	*1.88*
	PIPs	**2.24**	*1.56*	*3.11*
Equity sub-funds	Contractual Pension Funds	**0.39**	*0.22*	*0.81*
	Open Pension Funds	**1.69**	*0.75*	*2.58*
	PIPs	**2.72**	*1.04*	*4.07*

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No	Name	Reference	Comment	Processing
			• **Workplace pensions:** the default investment strategies in occupational pensions are subject to a 0.75% fee cap since April 2015. However, an occupational plan based on auto-enrolment with no advice requirement has a very different cost structure from a third pillar pension product such as the PEPP, which is subject to different distribution costs and mandatory personalized advice. Hence, the ability of UK providers to supply workplace pension products within the 75bps cap is not a justification to apply a cap to a third pillar product in the more fragmented European market, where the cost of customer acquisition is likely to be quite high. Overall, the UK experience on the 75bp charge cap shows that while costs have gone down, **the impact on investment has led to lower levels of diversification and a desire to minimise investment costs, regardless of the possible impacts on members' outcomes**. • **Stakeholder pensions:** Stakeholder pensions were introduced in 2001 as a way to encourage more voluntary pension saving, with charges capped at 1.5% for the first ten years and then at 1% thereafter. Once again, and in stark contrast to what is proposed for the PEPP, **stakeholder pensions can be sold without advice, which is a crucial difference**. The Financial Advice Market Review (FAMR) was launched jointly by the FCA and HM Treasury in August 2015 with the aim of identifying ways to make the UK's financial advice market work better for consumers. In 2017 FAMR undertook a review of its original report. The FAMR Baseline scenario from June 2017 includes a review of the cost of advice and fees charged by advisors in terms of ongoing and initial advice provided. The survey looks at restricted advice (defined as personal recommendation to a retail client in relation to a retail investment product which is not independent advice or basic advice) and independent advice (based on fair and comprehensive analysis of those products that are capable of meeting the clients stated investment objectives and needs). **Overall, percentage charges were on average just over 3% for initial advice and almost 0.7% for ongoing services**. Restricted advisers recorded slightly higher initial charges but slightly lower ongoing charges than independent advisers over the period.[14]	

Fee type	Restricted advice	Independent advice	All advisers
Initial	3.57%	2.81%	3.12%
Ongoing	0.63%	0.72%	0.69%

[14] According to one of our UK based members, the hourly fee for advice is £120 plus VAT per hour.

No	Name	Reference	Comment	Processing

Source: Financial Advice Market Review – Baseline Report (June 2017)

In addition, as shown in the table below, the cost of the advice changes on the basis of the amount invested (which is not the case for the PEPP where the fee cap is set at 1% independently from the assets under management). The costs of providing advice include the costs of marketing expenditure, staff costs, insurance costs and regulatory costs and fees. Based on the average net salary of European citizens, they will contribute small amounts to the PEPP.

Amount	Initial charge	Ongoing charge	Percentage of sample	Average amount	Illustrati charge
Less than £50,000	3.4%	0.71%	70%	18,500	£629
£50,000>£99,999	3%	0.68%	16%	69,000	£2,070
£100,000>£149,999	2.2%	0.64%	6%	115,000	£2,530
£150,000>£199,999	1.5%	0.76%	2%	173,000	£2,595
£200,000+	2.1%	0.66%	5%	401,500	£8,431.5

Source: Source: Financial Advice Market Review – Baseline Report (June 2017)

Country-based evidence – Germany

According to our German member association, the cost of distribution/advice in retail funds would be around 0.4 basis points. In the German model, it is not possible to clearly separate the cost of distribution and advice from the management fee. In addition, a client meeting for advice lasts on average 1h30 for a "Riester Rente", the current German individual pension product (partial process based on MIFID requirements), for **a cost of around 135€.**

Country-based evidence – Austria

According to our Austrian member association, **the cost of advice is around 0.5%**. On the basis of the annual market study of the Austrian Financial market authority for the year 2018 the median ongoing charges figure

No	Name	Reference	Comment	Processing
			for Austrian retail funds is 0.68% (bond funds) to 1.73% (equity funds). Those figures do not include transaction costs and advice costs but include distribution costs. It is also worth noting that the cost for the guarantee in guaranteed pension funds has to be disclosed in the prospectus and the KIID of the funds. ***Country-based evidence – France*** Our French member association made a simulation to calculate the total fee that a PEPP provider would collect from a worker saving 5% of a net salary of €25,000, assuming a fee cap of 1%. This illustration is representative of how the PEPP will develop, at least initially, because small amounts will be saved in the PEPP, notably becausethe tax incentives are likely to be modest. The results are shown in the table below. In a nutshell, the fee collected in the first year would be €12.3 and the total fee that would be collected after five years could be €200. This is the total amount that the PEPP provider, distributor and adviser would have to share for their services, without knowing if the saver would keep saving in the same PEPP, as the saver may decide to switch to another provider after 5 years. Clearly, these are very small amounts which do not allow to develop economically viable business model for the PEPP. According to internal estimation, **the cost of advice in France can be estimated to be at least €135/€150 (+ VAT)**[15], which means that the PEPP provider would be left with maximum €50-€65 to cover all other costs (manufacturing, administration, distribution and portability costs) over 5 years, i.e. less than €1 per month. Offering the PEPP under these circumstances would not be economically viable.	

[15] This amount covers the cost of one or two meetings to gather information of existing pension plans held by the saver, assess the suitability of different investment options in light of the saver's demand and needs, and make a recommendation.

No	Name	Reference	Comment	Processing

		Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
Average Salary in European Union 2018 (net of tax/month)							
Germany	2 270						
France	2 225						
Netherlands	2 155						
United Kingdom	1 990						
Belgium	1 920						
Italy	1 758						
Moyenne	2 053						
Annual salary		24 636	25 129	25 631	26 144	26 667	
Inflation (ECB max target)	2%						
Annual contributions	5%	1 232	1 256	1 282	1 307	1 333	
Expected average yield	4%						
Savings		1 232	2 538	3 921	5 385	6 933	**20 00**
Fees	1%	12,32	25,38	39,21	53,85	69,33	**20**

Country-based evidence – Australia

Looking outside Europe, the Australian market of Superannuations provides some useful indication of fee structures for pension funds and the cost of life-cycle strategies. We provide the examples of 'QSuper', a profit-for-member superannuation fund and one of Australia's oldest and largest funds, and 'Rest', a very large superannuation fund offered to retail employees.

The total costs of the four different life-cycle funds offered by QSuper, <u>excluding the cost of advice</u>, are shown in the table below. The cost of the fund falls with the age of the saver, as the share of equity decreases as the saver is approaching retirement. **For savers under 40, the cost for savers is 0.93%.**

The total cost of the core strategy offered by Rest is 0.90% for accounts of $50,000, and 3% for accounts of less than $6,000. **This cost does not cover advice.**

No	Name	Reference	Comment	Processing

QSuper fees breakdown

The cost of managing your account is split into administration fees, investment fees, and indirect costs. We calculate and take the fees out before we declare the unit price, every working day.

Investment option	Administration fee p.a.[1]	Investment base fee p.a.[1]	Investment performance-based fee p.a.[1]	Indirect cost ratio p.a.[1]	Total fee p.a.[1]
Lifetime Outlook (age under 40)	0.16%	0.33%	0.33%	0.11%	**0.93%**
Lifetime Aspire (age 40 to 49)	0.16%	0.27%	0.26%	0.10%	**0.79%**
Lifetime Focus (age 50 to 57)	0.16%	0.23%	0.22%	0.07%	**0.68%**
Lifetime Sustain (age 58 and over)	0.16%	0.17%	0.13%	0.04%	**0.50%**

Source: https://qsuper.qld.gov.au/our-products/our-fees/fee-details

No	Name	Reference	Comment	Processing

How your fees might look

If you're in the Core Strategy (and you'd be in pretty good company as most of our members are in this investment option), and have a balance of $50,000, your annual fees will look like this.
And if your account balance is less than $6,000, the amount of administration fees, investment fees and indirect costs that you'll pay each year is capped at 3% of your account balance.

Investment fee	0.60% of your balance per annum	$300
Plus administration fee	$1.30 per week, plus 0.1% of your account balance at the end of each month (capped at $800 per annum)	$67.60 plus $50 per annum
Plus indirect cost ratio	0.07% per annum	$35
Total*		$452.60 per annum

* If your account balance is less than $6,000 at the end of financial year, or if you leave Rest, the total combined amount of administration fees, investment fees and indirect costs charged to you is capped at 3% of your account balance for the year (or the period until you left).

Source: https://www.rest.com.au/member/products/fees-and-charges

Country-based evidence – United States

A study from Strategic Insight showed that the average fee paid by investors to get some professional advice in the United States ranged from up to 1.5% for small investment accounts (below $100,000), down to approximately 1.0% for investments around $1 million and less for multi-million dollar accounts.[16]

4. Treatment of transaction costs

A 1% (or any level of) fee within the cap is paid out of the accumulated capital to the provider (and distributor or adviser). All things being equal, this will reduce the return by 1% over the relevant period. **Transaction costs work in an entirely different way.** These costs relate to the payment of a broker on the purchases or

[16] See Strategic Insight (2017): "Monitoring Trends in Mutual Fund Cost of Ownership and Expense Ratios: a Canada – U.S. Perspective 2017 Update".

No	Name	Reference	Comment	Processing
			sales of securities and the payment of taxes and levies to Governments and/or regulatory bodies or exchanges. The brokerage fees are paid to invest contributions received or meet withdrawals and to achieve positive performance. **The inclusion of transaction costs in the fee cap would limit the number of portfolio's transactions, with the consequent risk of resulting in missed opportunities to make gains or limit losses. This would be detrimental to PEPP savers.** It would also seriously limit the possibility of running a life-cycling strategy with a sophisticated risk management process investing across different asset classes and financial instruments. We would like to stress that there are a number of operational challenges in including transaction costs in the PEPP fee cap. • **Little room for responsiveness:** It is currently unclear how firms will operationalise a charge cap that included transaction costs. Indeed, within a 100bp cap and assuming the full cost was 100bps, based on existing fund model, firms would need to make an allowance for transaction costs. If transaction costs were estimated at 10bps, then the PEPP charge could not exceed 90bps. This brings significant challenges regarding margin of error and room for manoeuvre, especially in the event of a major market adjustment or strategy change. Indeed, if the effect of additional trading is to push asset managers beyond their trading budget for the PEPP, then **asset managers would face a perverse incentive not to trade (to avoid making such losses) even though trading may be to the benefit of PEPP savers**. Ultimately such a cost structure could create irreconcilable conflicts between the asset managers' respective duties of care to PEPP savers and their shareholders. PEPP savers would not be well served by such a restriction on how the investment process operates. • **Total cashflow vs discretionary trading activity**: An immediate practical issue here would be whether the cap is applied to transaction costs at total cashflow level (i.e. including the costs of investing new contributions) or only covers discretionary trading activity that is undertaken to achieve positive performance. To avoid the costs of simply investing the PEPP saver's on-going contributions using up a significant portion of the cap, it would be necessary to develop a methodology which attempted to cap only discretionary trading activity. • **Consistent quantification of transaction costs.** It is extremely unclear how to cap implicit transaction costs reflecting the difference between buying and selling prices, not all of which are measurable	

No	Name	Reference	Comment	Processing
			with any high degree of certainty. Our understanding is that EIOPA proposes to address this problem by defining portfolio transaction costs as '*actual payments by the PEPP provider to third parties to meet cost incurred in connection with the acquisition or disposal of any asset in the PEPP account'.* This is a pragmatic response, which does address the challenges of implicit costs. However, EIOPA should also be aware that this could make equity-based strategies, necessarily for long-term real returns, look much more expensive than investing in bonds or asset classes without explicit brokerage payments or transaction taxes. Again, this illustrates the arbitrary nature of capping transaction costs necessary to deliver an investment return, which could far exceed the costs necessary to enter the market. **5. Treatment of the cost of a guarantee** EFAMA considers that the exclusion of the cost of guarantees from the fee cap would distort the level playing field between PEPP providers, for the following reasons: • The providers of a Basic PEPP using life-cycling will be constrained in designing investment strategies given that all the costs related to the use of these risk-mitigation techniques will be included in the fee cap. • There is no consensus among experts on how to define price and implement long-term guarantees correctly. This would create an incentive for providers offering a capital guarantee to shift a portion of the other costs to the cost of the guarantee. EIOPA seems to understand that agreeing on a common methodology for pricing guarantees would be difficult. This is most likely the reason why EIOPA proposed on page 29 of the Consultation Paper that the PEPP provider should '*provide evidence that these costs are directly linked to the capital guarantee upon request by the national competent authority or EIOPA'.* Following this approach would mean that the national competent authorities would have to adopt their own methodology to assess the evidence provided by providers; this would lead to different standards at national level, which would erect artificial barriers to the single market for the PEPP. In our view, **there are only two ways to prevent this risk: either EIOPA ensures that the cost of guarantees is calculated according to a harmonized, robust, clear and transparent methodology, or EIOPA proposes to include this cost within the fee cap.** We understand that EIOPA fears that this second approach would unduly limit the feasibility and profitability of Basic PEPPs based on a capital guarantee. We draw again the parallel	

No	Name	Reference	Comment	Processing
			with the cost of advice, whose inclusion within the cap would also limit the feasibility of the Basic PEPP. The same logic should therefore apply in relation to the cost of advice, which EIOPA should exclude from the fee cap. There is another compelling argument to follow this approach: **nominal guaranteed products are unsuitable for the vast majority long-term investors as they do not protect against inflation.** From this perspective, we do not agree with EIOPA's view that the cost of guarantees should be separated '*to acknowledge the fact that the guarantee adds to the product and provides an additional value for the PEPP saver'.* The rationale for that appears to be that life-cycling, aimed at offering significant real returns, is somewhat an inferior – and less costly – offering to a capital guarantee. Giving this message to consumers would be completely misleading. To put this into context, an annual contribution of 1,000 euros over twenty years (20,000 euros) is worth just 16,300 euros in real terms at the end of the period, assuming inflation at 2% per annum, in line with the ECB inflation target; this represents a drop in purchasing power of nearly 19%. Professor John Y. Campbell from Harvard University, who is a leading researcher in household finance, summarized very well why holding too much of savings in low-risk and low-return asset portfolios is not a particularly valuable strategy:[17] • *'First, the positive reward for taking risk in financial markets implies that retirement savings vehicles should not be entirely risk-free. No matter how risk-averse a person is, he or she should be willing to take at least a modest amount of risk to earn a higher return. Quantitatively, the reward for risk is large enough, and most households have sufficiently stable labor income, that allocations to risky assets should be substantial for all but ultra-conservative households.* • *Second, an investment strategy of rolling over short-term safe assets is not risk-free over the long run because real interest rates vary over time. Retirees who followed this strategy over the past 20 years have suffered a severe loss of purchasing power as real interest rates have declined. A safe retirement income, of the sort provided by a defined-benefit pension plan, requires an investment strategy based on long-term inflation-indexed bonds. Long-term real assets such as equities and real estate, while not risk-free at any horizon, also generate relatively stable streams of real income over the long run.*	

[17] See Campbell's foreword in Berardi, Tebaldi and Trojani's paper on available on https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3142243.

No	Name	Reference	Comment	Processing
			• *Third, the preservation of nominal value is not an appropriate measure of safety because the inflation rate is uncertain. Inflation risk cumulates over time and becomes relatively more important at long horizons. This implies that long-term nominal bonds should be used with caution in a retirement portfolio because they are exposed to inflation risk; and portfolio guarantees stated in nominal terms are ineffective at controlling long-term risk exposure'.*	
15.	EFAMA	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	**1. Life-cycling as a Risk-Mitigation Technique** A life-cycle strategy is a type of investment strategy which typically gives an important role to equity and other growth assets in the early stage of the accumulation phase to achieve long-term capital growth. It switches to a more conservative approach as the saver approaches retirement to consolidate the capital growth already achieved and to minimise the risks of market volatility reducing the accumulated savings. Research has shown that this switching mechanism is a very effective risk-mitigant tool over a saver's lifetime that can deliver good outcomes[18], both consistent with and exceeding the underlying PEPP goal of allowing savers a mechanism to at least recoup their capital. The capacity of life-cycling to deliver good outcomes relies on three main elements. • **Taking investment risk is usually rewarded in the long term** This widely accepted observation justifies investing a significant proportion of the pension savings of younger savers in riskier assets to deliver the growth they will need to provide an income in retirement. Even if market volatility were to result in investment losses in a particular year, the long period of time during which assets are accumulated by young people implies that the probability of a poor outcome is limited. As older people tend to have a shorter investment horizon, life-cycle strategies switch out of higher risk assets in order to protect the accumulated savings against market downturns. As we note earlier, life-cycle strategies can only deliver optimally without artificial behavioural dis-incentives from investing in risk assets: e.g. restrictions on transaction costs.	Agreed.

[18] See in particular the Bocconi study.

No	Name	Reference	Comment	Processing
			• **Young investors have a greater capacity for investment risk** Younger investors generally have more time to recover from negative market outcomes than those nearer retirement, thanks to three critical factors: firstly, the return that investing in riskier assets such as stocks provide is higher on average than the risk-free rate over a long investment horizon. Secondly, people tend to have small amounts of assets accumulated for retirement during the first years of accumulation. And thirdly, the de-risking mechanism reduces the exposure to market volatility in the period before retirement when households have a greater capacity to save. • **Targeting an asset allocation is a key tool for managing investment risk** The portfolio rebalancing which is performed on a regular basis to maintain the overall asset allocation with the strategy allows to avoid an undue increase in the exposure to risky assets after a strong rebound in markets and to miss the opportunity to invest in riskier assets at lower prices after a market downturn. The question arises as to whether some risk-mitigation techniques in addition to the switching mechanism should be applied to life-cycling strategies. EIOPA has analysed this question, and came to the following conclusions: • Setting out strict criteria on investment allocation would '*require perfect knowledge of the ideal investment allocation and would need to take into account the effectiveness of the financial and capital markets in the EEA member states. Further this approach would leave little room for innovation and healthy competition to reach better pension outcomes for consumers – and would render the prudent person principle of the PEPP Regulation unnecessary*'. • The regulation of the risk-mitigation techniques should '*set out high-level principles on the objective of the different risk-mitigation techniques and adding some general criteria for the main types of risk-mitigation techniques'.* EFAMA fully supports EIOPA's reservations against regulatory restrictions on asset allocation, whether expressed in quantitative terms (e.g. maximum equity exposure / minimum investment in low risk assets at given moment of the life-cycle strategy) or in limiting access to specific asset classes:	

No	Name	Reference	Comment	Processing
			• This approach would require setting asset allocation restrictions that would be difficult to determine with the assurance that these restrictions are not too severe or flexible enough. This approach would also require defining in the regulation of the RMT a taxonomy of assets according to their level of risks. It would be challenging to establish an exhaustive taxonomy and to substantiate the degree of risk of category of assets. • The real impact of the restrictions will change over time with financial innovation and market conditions to the point they could quickly become ineffective or even counter-productive in relation to their objectives. • The investment governance process used by fund managers provides an additional, strong and demonstrable protection. A summary description of the safeguards offered by fund managers is provided in section 3 below. This being said, EFAMA agrees with EIOPA that there may be a role for some general enforceable and quantifiable criteria to ensure that PEPP providers can demonstrate to customers and regulators that their investment process is consistent with the risk profile of the corresponding investment option. In this context, EFAMA fully supports the approach proposed by EIOPA whereby the PEPP provider who do not offer a capital guarantee, would ensure that the saver would recoup the capital at the start of the decumulation phase with a certain probability. The calculation of this probability should be based on the use of a stochastic model to simulate a distribution of investment returns. A recent report prepared by the OECD team on private pensions, entitled '*An illustration to assess the risk profile of investment strategies',* presents the stochastic methodology that could be used to assess the risk profile of any long-term investment strategy for retirement and calculate the probability for an individual saving for retirement to get back the accumulated nominal value of his/her contributions. Following this approach would have a number of important advantages: • **Investment time horizon:** It would ensure that the calculation of the risk of a pension product such as the PEPP is not only based on the risk-return characteristics of the investment portfolio but also take into account the distance to retirement of individuals and the life-cycle approach to investment.	

No	Name	Reference	Comment	Processing
			• **Information to savers**: It would also strike a balance between risk and reward by avoiding focusing on short-term risk. In this way, the regulation of the risk-mitigation techniques could avoid falling in the trap to overly allocate to low risk assets which fail to deliver the outcomes expected in retirement. • **Performance scenarios:** This approach could also be used to prepare the performance scenarios and estimate the range of possible future returns. The use of the proposed approach would also allow to comply with important requirement concerning the PEPP KID. In our view, this approach should also be used to measure the level of risk of Basic PEPPs designed on the basis of a guarantee on the capital. **2. Specific comments** ***Probability values*** We support the following proposals: • The probability of recouping the capital should be higher for the Basic PEPP than for alternative investment strategies. • For the Basic PEPP, we agree that the probability should be reduced if the remaining accumulation phase is less than 10 years when taking up the PEPP in order to take into account the impact of the shorter investment period on the market risk. If the same probability were to be offered to savers of all ages, the provider of the life-cycle strategy would have very limited possibilities to invest in equity and other long-term assets, thereby preventing young savers to benefit from superior returns with very low risk. To avoid confusing savers, the PEPP KID should provide clear indication about the two probabilities levels associated with the Basic PEPP using a risk-mitigation technique. In addition, the PEPP provider or PEPP distributor should provide the necessary explanation when giving advice to the prospective saver. • In case of adverse economic developments within three years before the expected end of the remaining duration of the accumulation phase, the PEPP provider shall extend the last phase of the life-cycle or the applied risk-mitigation technique by an appropriate, additional time of up to five years after the initially expected end of the accumulation phase, subject to the saver's explicit consent and assuming that this may be legally permitted. Indeed, this provision is founded on the	

No	Name	Reference	Comment	Processing
			observation that a stock's price will tend to move to the average price over time. Hence, deviations from the average price are expected to revert to the average. Therefore, it makes sense to remain invested following an adverse market fall in order to benefit from the expected rebound of prices; it also ensures that any losses suffered in such a fall are not 'locked in'. Concerning the proposed level of the probabilities, we have the following comments: • The OECD study entitled '*An illustration to assess the risk profile of investment strategies'* has shown that it is possible to design life-cycle strategies consistent with a probability of 99% of recouping the capital when the accumulation period is longer than 10 years. For a shorter accumulation phase, the probabilities tend to be lower under the strategies analysed by the OECD. • The OECD study also assessed the influence of the macro-economic conditions on the probability of getting contributions back, and showed that the probabilities of recouping the capital are significantly lower when the historical returns are based on relatively recent data, i.e. data for the 1999-2018 period, compared to data for the 1969-2018 period. The result is due to the fact that the 1999-2018 period can be characterized as a "low returns" period. When the projections are based on this period, the probability of recouping the capital under the life-cycle glide path considered by the OECD, is closer to 95% after 40 years, 90% after 20 years and 85% after 10 years. • **These observations confirm that the probabilities could not be set in the Regulation independently of the applicable basic return assumptions, which will need to be determined by EIOPA.** Against this background, in view of the low-returns environment in which the world seems to have set in, we strongly recommend the following: ○ For the Basic PEPP, the probability of recouping the capital should be around 95%, unless the remaining accumulation phase is less than ten years when taking up the PEPP and where a probability of around 90% could be used. ○ For the PEPP using alternative (self-select) investment options, the probability should be 90%. ○ The PEPP KID should properly inform prospective savers about these probabilities.	

No	Name	Reference	Comment	Processing
			• As long as savers are properly informed, we see no problem in that these probabilities are less than 99% or 95%. Besides, the PEEP Regulation distinguishes between two types of Basic PEPP: one with a capital guarantee (associated with a probability close to 100%) or another one based on risk mitigation techniques, which provides savers with a real alternative to the guaranteed PEPP, offering superior returns in exchange for a slightly higher level of risk. ***Objective to be achieved at the end of the accumulation phase*** We fully agree that PEPP providers should design the asset allocation and the de-risking strategy in a way that is 'consistent with the objective to allow the PEPP saver to recoup the capital at the start of the decumulation period. From this perspective, we strongly believe that *Article xa* on page 33 of the Consultation Paper should be corrected in the following way: *For the Basic PEPP, when the PEPP provider does not offer a capital guarantee, the PEPP provider shall employ an investment strategy that ensures, taking into consideration the results of stochastic modelling, recouping the capital at the start of the decumulation phase ~~and during the accumulation phase~~ with a probability of XX~~99~~%, unless the remaining accumulation phase is less than ten years when taking up the PEPP and where a probability of YY~~95~~% may be used.*[19] It would not make sense to request that the probability of recouping the capital should apply throughout the accumulation phase because this would be tantamount to demanding that PEPP providers permanently invest in short-term fixed-income securities. This would eliminate the rationale of allowing the use of life-cycling as a risk-mitigation technique. Indeed, a life-cycle strategy typically gives an important role to equity and other growth assets in the early stage of the accumulation phase to achieve capital growth. It is only when the saver approaches retirement that such strategy switches to a more conservative approach to consolidate the capital growth already achieved and to minimise the risks of market volatility reducing the accumulated savings. If PEPP providers have to ensure a high probability of recouping the capital during the accumulation phase, they would have to follow an overly-cautious investment strategy, resulting in a sub-optimal outcome for PEPP savers. ***Asset allocation close to the end of the accumulation phase***	

[19] As explained above, the final levels of probabilities will depend on the underlying assumptions that providers will have to use in their stochastic simulations.

No	Name	Reference	Comment	Processing
			In Article *xb* (3), we note the requirement to invest ‘*predominately’* in liquid, fixed income investments. While this may be appropriate for a retirement pathway into an annuity or capital withdrawal, it may be justified to maintain an equity exposure of around 30-40% for an income drawdown plan in order to be able to deliver the stable income required in retirement. It is also the same that some illiquid asset may be well suited to the retirement phase if they generate stable inflation-linked cash flows. More generally, PEPP providers should be allowed to design the asset allocation and the de-risking strategy as they see fit as long as the risk level of the investment strategy is consistent with the objective of allowing the saver to recoup capital at the level of certainty that will be set in the regulation of risk-mitigation techniques. As the use of the word ‘*predominantly*’ could easily be taken to mean at least an 80% allocation, we strongly to rephrase the third paragraph of *Article xb* in the following way: *‘For the PEPP savers closest to the expected end of the accumulation phase, the PEPP provider shall ensure that the investments are sufficiently ~~predominantly~~ liquid, of high quality and exhibit fixed investment returns to allow that savers can recoup the capital at the start of the decumulation period with the ~~agreed~~ applicable probability, taking into account the choice of the out-payments made by the PEPP savers .’* ***Establishing reserves*** We are concerned that Article xc allows too much leeway for those providers who use the reserving product types to manipulate performance returns in early years to secure business and competitive advantage. We would recommend the following wording is added to this article at the end of paragraph 5: ‘*The PEPP provider shall ensure that the terms and conditions as well as the pattern of dis-investment are presented in a transparent and comprehensible manner* ***and that providers are able to demonstrate that the product is not designed in any way to boost performance beyond the realistic underlying asset projected returns during the early years of the plan.’*** **3. The safeguards offered by fund managers**	

No	Name	Reference	Comment	Processing
			EFAMA would like to draw EIOPA's attention to the investment governance process used by fund managers, which will provide an additional, strong and demonstrable barrier protection to PEPP savers. • **Fiduciary duties** Fund managers are bound by regulation[20] to act as "stewards" of their investors' assets, hence to act in the best interest of their clients and to invest in accordance with a predefined set of rules and principles. In this capacity, they owe a number of fiduciary duties to their clients that include duties to exercise reasonable care, to disclose conflicts of interest and to act in good faith. Asset managers must provide the information necessary for investors to make informed decisions and report regularly on how their investments are doing. These fiduciary duties also arise as a matter of common law, as a matter of statute and/or as a matter of contract. As a result, investors will have a remedy if there is any breach of duty, and the interests of fund managers and investors are aligned. • **Protection of assets** The assets of both UCITS and AIFs must be entrusted to independent depositaries, who are responsible for the safe keeping of fund assets. The UCITS and AIFM Directives require funds to appoint a depositary. In essence, the depositary, which is itself a regulated body, monitors cash flows and ensures that the dealing of units is carried out in accordance with national law and the fund's rules and that the investment and valuation of assets is carried out in accordance with national law and the fund's rules as defined in the fund's prospectus. Ultimately, it seeks to safeguard against fraud, book-keeping errors and conflicts of interest between the fund manager and the fund itself. • **Limited balance sheet risk** Fund management companies do not act as providers of credit to individuals or corporations, nor do they provide custody or related functions. Fund managers do not act as counterparties in derivatives, financing or securities transactions. Moreover, they are bound by specific constraints as to the use of leverage and operations with borrowed money and are required to hold the appropriate and	

[20] For example see Article 24 of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 On Markets In Financial Instruments and Amending Directive 2002/92/EC And Directive 2011/61/EU: "Member States shall require that, when providing investment services or, where appropriate, ancillary services to clients, an investment firm act honestly, fairly and professionally in accordance with the best interests of its clients and comply, in particular, with the principles set out in this Article and in Article 25."

No	Name	Reference	Comment	Processing
			sufficient regulatory capital, which is supervised by their regulators. In this way, there is no asset-liability mismatch on their balance sheets, which remain very small compared to the balance sheets of banks and insurance companies. • **Independent Oversight** In addition to the appointment of a depositary, fund managers may (and are sometimes required to) appoint independent directors either to the board of the fund manager or to the board of an investment fund itself. Such directors are well placed to challenge issues that are not in the best interests of investors and to ensure that products offer value for investors. • **Organisational Requirements** Fund managers are subject to a comprehensive regulatory regime (underpinned by the Markets in Financial Instruments legislation and the sectoral legislation for asset managers (AIFMD and UCITS)), prescribing organisational requirements which impact fund governance. These requirements include processes (amongst other things) to address conflicts of interest, ensure continuity of service and mitigate operational risks arising from any outsourcing, and require fund managers to have (amongst other things) sound administrative and accounting procedures, internal control mechanisms and effective control and safeguard arrangements for information processing systems. Fund managers maintain comprehensive compliance policies and procedures to ensure their compliance with the regulatory regime. They perform regular testing of these processes to ensure compliance. • **Risk management process** Fund managers need to have an effective and robust risk management process in order to identify and manage appropriately all risks relevant to each investment strategy to which their funds are or may be exposed, notably liquidity, credit, counterparty and operational risks. Potential risks deriving from liquidity mismatches and the use of leverage within investment funds are efficiently tackled via the comprehensive regulatory framework consisting in the UCITS Directive and the provisions of the AIFMD and supported by a raft of more detailed implementation measures. Based on that, asset management companies are required to have adequate procedures and internal control mechanisms in place, as well as comprehensive compliance policies and procedures. In particular, for liquidity risk management the list of requirements includes: the need for an independent risk management function; monitoring the ongoing liquidity profile of assets within the fund; and disclosures to	

No	Name	Reference	Comment	Processing
			regulators and investors. Fund managers are employing a list of appropriate tools not just at a specific moment in time, but systematically and consistently throughout the lifetime of the fund, therefore implementing a corresponding liquidity risk governance policy both at the pre-launch stage, and at the post-launch stage. Last but not least, the conduct of stress tests both under normal and exceptional market conditions is a core requirement both for UCITS and AIFs. • **Suitable Products** Fund managers have a product approval and governance process which ensures that, for each product manufactured, an identified target market of end clients is assessed and, that when distribution of products is carried out (whether by the fund manager or by a distributor on its behalf), this target market assessment is adhered to. Accordingly, it ensures that products are only distributed to those types of client for whom they are suitable. The close relationship between product functions and sales function ensures that products remain consistent and relevant to investors. It also allows managers to canvas opinion on product innovation (e.g. sustainable products). • **Regulatory regime** European and local regulatory regimes continue to improve and develop additional safeguards for investors and will continue to do so. In recent years, regulators have been increasingly focused on requiring fund managers to disclose costs and demonstrate the value to investors of their investment products. Managers are able to select the appropriate regime to provide investment solutions to different investor types with different objectives and risk appetites. • **Transparency** Over recent years, fund governance has increasingly focussed on ensuring that fund documentation is readily understandable (in particular for retail investors). The governance process followed by fund managers covers not only approval of prospectuses, but also the provision of short-form, key investor documentation. These documents help investors to understand and compare products. • **Reporting** Fund managers are required to provide, in respect of the products that they manage, regular reporting to depositaries regulators and investors. The existing regulation in the EU allows for an	

No	Name	Reference	Comment	Processing
			extensive monitoring, as both UCITS and AIFs are already bound by significant legislative and regulatory requirements vis-à-vis the regulators. The significant amount of data that is already required and submitted to the national competent authorities by investment funds and asset managers can help regulators achieve their key objective to better assess sources of risk and minimise the risks for potential future crises.	
16.	EFAMA	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	**1. Policy issue 1: Providing relevant information on PEPP to consumers** We fully agree that tailoring the approach for cost disclosure to the characteristics of the PEPP and therefore deviating from the approach taken under PRIIPs for cost disclosure is appropriate. We also believe that the concept of RIY currently used to disclose product costs to retail investors is too complex for many PRIIPs. The fact that the costs include a time horizon and a yield assumption represents a new type of theoretical disclosure that clients have not generally been familiar with. Its complexity significantly increases the risk that, at best, it is ignored by investors and, at worst, it is misunderstood by investors. This is especially the case for one-off entry costs as they are divided over the product's recommended period to hold the product, thus leading the client wrongly to assume that the impact on the initial investment is much lower than it actually is. **2. Policy issue 2: Implementing the cost cap for the Basic PEPP** We believe that the impact assessment for the fee cap for the Basic PEPP should be strengthened by collecting more hard data on the costs of providing advice[21]. We strongly believe that the analysis will lead to the conclusion that the cost of advice should be excluded from the fee cap (see our comments to question 6). Concerning the benefits and costs highlighted by EIOPA in its analysis of the costs that should be included in the fee cap, we have the following comments: • **Concerning option 2.1 (introducing an all-inclusive approach)**	Agreed. Partially agreed, see also the response to comment number 11.

[21] We have provided additional evidence in our response to Question 6.

No	Name	Reference	Comment	Processing
			In our view, the key question to be assessed is: will the 'all-inclusive' approach discourage all/most potential providers to offer the PEPP? EIOPA believes that this approach would only limit the feasibility and profitability of products and lead to reduced product availability for consumers due to challenges for PEPP provider to offer profitable products. EFAMA disagrees with this conclusion. Our members are indeed convinced that **the 'all-inclusive' approach would prevent a viable PEPP market emerging at all. The cost of an all-inclusive approach is therefore much higher than that suggested in EIOPA's impact assessment.** A critical point is that the cost of customer acquisition in retail markets is high. UK capped pension charges at 0.75% where automatic enrolment is used and the default is provided on a non-advised basis. This is a very different environment from the one in which PEPP providers will need to convince people to save in a PEPP. Without the emergence of a meaningful PEPP offering, it would be meaningless to expect that the PEPP would achieve its main objectives, i.e. encouraging more competition in the personal pension market in Europe, reducing the fragmentation and current domestic nature of this market, achieving economies of scale and therefore offering good value for money, enhancing choice and encouraging more people to save for retirement, allowing portability of personal pensions and facilitating in this way job mobility in the EU. The irony is that the introduction of an inclusive approach to give access to a low-cost personal pension product would in the end prevent the PEPP market from developing. This would imply that consumers would continue to be offered existing high cost/low return national personal pension products. **EFAMA has a duty to make this strong statement while it is still possible to finalize the regulatory framework for the PEPP in a way that would make the PEPP really attractive for both consumers and providers.** As explained in our response to question 6, **we strongly disagree with EIOPA's view that the possibility of providing advice through an automated system should be considered as a mitigating factor.** As it is established that the majority of savers will want to receive advice from a human financial adviser, together with the complexity and expertise of assessing existing pension provisions,	

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			PEPP providers will need to offer this service to offer the PEPP and take into account the costs that all this involves. Against this background, we recommend that EIOPA proposes to exclude the cost of advice from the fee cap, following in this way the approach it took for the cost of guarantee. **As for the cost of guarantee, we cannot find the data used by EIOPA to conclude that the cost of guarantees should be excluded from the fee cap.** While we agree that '*including the guarantee in the cost cap will probably have the effect to decrease the number of products in the European market and the possible choices to be made by the savers",* we do not understand why this judgment leads EIOPA to conclude that the cost of guarantees should be excluded from the fee cap. • **Concerning option 2.2 (excluding distribution costs)** We agree that the cost of distribution (including the cost of advice) represents a significant percentage of the total cost of a personal pension product. It would be ideal if the PEPP could be offered under an auto-enrolment regime. This would indeed reduce the cost of distribution of the product. As it is not foreseen that Member States will automatically enroll their citizens into a program of saving in the PEPP, PEPP providers will have to rely on distributors and face-to-face meetings/individual calls to convince people to contribute to their PEPPs on a voluntary basis. This implies a cost that needs to be taken into account in the preparation of the Level 2 measures. To address this problem, we propose the following solutions: ○ The cost of distribution and the cost of advice should be shown explicitly and separately in the PEPP KID in order to inform consumers and reinforce the competition between PEPP providers, distributors and advisers. ○ The cost of advice should be exempted from the fee cap, at least until the first review of the implementation of the fee cap, in order to offer some degree of certainty that the PEPP market is going to develop. However, to put further pressure on providers, EIOPA should gather information on the cost of advice on pensions, including the cost level, the nature of the services offered, the methodology used to calculate the cost.	

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			3. Policy issue 3: enabling appropriate risks and rewards As explained in our response to Question 7, we agree with the approach taken by EIOPA to assess which approach should be followed to regulate the risk-mitigation techniques.	
17.	EFAMA	Q9. Do you have any other general comments to the proposed approaches?	/	
18.	EFAMA	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We believe that the regulation should allow for the provision of the PEPP KID and Benefit Statement by digital means in a way that permits the layering of information. The core requirements (such as summary risk indicator, presentation of cost, past performance and performance scenarios) should be presented in the first layer. All other information can be detailed in subsequent layers. Consumer insight should inform design decisions. Consumer testing is essential to understand how to engage savers with their pension savings early on so that they get the information they need to determine if the product is providing value for money. A digital version of the PEPP KID should also be tested.	Agreed.
19.	Allianz Global Investors (AllianzGI)	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	It is important that information is presented in a way that is understandable for the consumer. This requires taking the time horizon of the product into consideration. The core information should be presented in the top digital layer (digital first) It is difficult to reconcile the examples of the documents and the concepts discussed in the CP. For instance RIW is not used in the mock-up KID costs disclosure but a completely different concept which in turn is not mentioned in the CP. The cost disclosure is based on an accrued capital of 10,000 €. This does not scale well. The 95 € per year is quite misleading as the contract shown has regular premiums. For instance in the first year the cost cap allows at most 12 € of cost, at least if the interpretation of the costs cap from the CP is used. The percentage values given in the mock-ups are more helpful. However, they need to be annualized. Otherwise, costs factors with different reference values (e.g. based on premiums or fixed amounts) will not be represented fairly.	

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			Allianz has good experience with RIY indicators, especially for contracts with regular premiums. Also the ZEW study which is mentioned in the CP comes to the conclusion that RIY is better than RIW. The ZEW study was the basis for the decision of the German legislator to use RIY for state subsidized products (Riester- und Basisrenten). The way the risk indicator is presented it remains unclear whether a higher number means a higher risk or vice versa. The probability of meeting the retirement objective is mentioned. A higher probability of meeting the retirement objective would mean less risk. So does a high number indicate a high risk or a high probability of meeting the goals? Although, inflation is mentioned several times in the CP both in the context of performance as well as risk there is no presentation of inflation in the KID. It is important that inflation is presented as loss of purchasing power of the currency and not as something product specific. Simply presenting performance in real values is not well understood by consumers. As both the premium payments as well as annuity payments represent long-term cash-flows the real values would be different for every payment. The last premium payment is often just a month before the first annuity payment. It is therefore better to explain the principle in general instead. The KID should provide the value of the lump sum/monthly payments that the saver can expect to obtain under a best, favorable and unfavorable scenario, as shown in the PEPP KID illustrative examples A and B. And in our view, the value of the lump sum/monthly payments that a saver can expect • under the best estimate scenario should correspond to the mean (average or median) value of assets generated by the stochastic simulations. • under the favorable and unfavorable scenario should be calculated using suitable quantiles or standard deviation of the probability distribution. Regarding the benefit statement it is not clear how different compartments would be presented. Past performance in benefit statement: This would be more useful if it were based on the performance of the actual contract, i.e. last year and from the beginning. For instance with a life cycling approach a contract which started earlier will have a different performance as the asset allocation is different.	
20.	Allianz Global Investors	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	The CP seems to imagine an individual risk perspective. A “desired pension outcome” is mentioned as a benchmark in the context of the risk measurement. Surprisingly typical risk types like market risk, credit risk, liquidity risk are not used. On page 13:	Noted.

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	(AllianzGI)		*…relative riskiness and performance:* *- Inflation-protected accumulated savings,* *- Reaching at least the long-term risk-free rate,* *- Limiting the dispersion of the future PEPP benefits.* How this is supposed to be measured remains rather vague. Also it is unclear why limiting the dispersion of benefits is a generally desired pension outcome. Dispersion can also mean upside potential especially if the downside risk is limited via a guarantee or other RMTs. How comparability of PEPP risk disclosures against that of other products (e.g. UCITS KIID or PRIIP KID) is to be enabled remains unclear. This will further increase the costs of PEPP advice, as article 34 requires preexisting contracts to be taken into account in advice. Furthermore, to outperform the risk-free rate or inflation, risks have to be taken which seems to be in contradiction to limiting the dispersion. It is unclear how these approaches are supposed to be combined. Measuring risk as “standard deviation from the mean” as mentioned in the CP has the similar problem that this also includes positive deviations from the mean. The application of RMTs means that the distribution of returns will not be symmetrical around the mean return. Therefore a measure that specifically captures downside risk would be more appropriate as it would coincide better with what consumers usually consider a risk Past performance (which observes only one scenario) may not be available and suitable for many of the products. To evaluate potential product features it may be necessary to look at many different possible scenarios. This allows assessing how products could cope with and behave in diverse market scenarios. Simulating past performance where no performance history is available may add valuable information to the customer. It might be difficult though for consumers to understand the limitations of simulated past performance.. All products with RMTs will have changing asset allocation over time. For many products the asset allocation will also be path-dependent. Nevertheless, past performance depends on the product nature. For example, for products with path dependencies showing the past performance will depend on many factors. We believe a good approach to this is to define a set of parameters and let the product provider decide on the way past performance should be shown. It can be a historical time series, or a performance table with several paths for example We do not support EIOPA’s suggestion to present past performance over ten, five, three and one years, because of the long-term nature of the PEPP and the need to avoid focussing on short-term volatility. Instead, we recommend to provide this information for the last 5 or 10 years. On the other hand, we agree that the	Partially agreed, past performance is considered one important piece of information, which needs to be provided to the consumer before signing up to the PEPP contract. Yet, past performance shall not be shown in the PEPP KID, whereas information about the past performance per investment option needs to be easily

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			PEPP Benefit Statement should present the performance achieved during the most recent year because it is a factual account of delivery and, as such, a key measure of accountability of the PEPP provider. However, a comment should remind savers that the PEPP has a long-term investment horizon, that financial markets can be volatile over a short time period, and that the relevant performance should be measured in terms of the level of assets reached at the end of the accumulation phase. .	accessible on the PEPP provider's website.
21.	Allianz Global Investors (AllianzGI)	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	We agree that a forward looking stochastic model should be used to determine the distribution of possible product returns. Different measures can then be applied to judge the risk level and effectiveness of different RMTs. We consider it important that an uniform approach is used across the whole scope. Furthermore the model and its parameters should be specified by an independent entity. The dispersion of outcomes is not a good measure for risk in this context. The use of RMT means that the distributions of possible outcomes will not be symmetrical. Thus limiting the dispersion might limit possible returns without decreasing risk. For instance if you take a product with a guarantee of the premiums paid. Increasing the costs will lower the dispersion without reducing the risk. We are against using the ultimate forward rate as a benchmark / long-term risk-free rate as this is implying that a certain return can be reached without risk. The UFR itself does not represent the risk free rate but is a forward rate which serves as a parameter for the interest rate curve. The resulting interest rate curve is much lower than the UFR. The UFR for the Euro applicable in 2020, which was calculated by EIOPA in May 2019, is equal to 3.75% In today's ultra-low interest rate environment, it could be misleading to suggest that savers can expect such a relative high rate of return riskfree.	Agreed, please see also the response to comment 1.
22.	Allianz Global Investors (AllianzGI)	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	The model and its parameters should be set by an independent body in order to promote comparability and a level-playing-field. Only setting key assumptions will not be enough. Cf. Q3	Partially agreed, EIOPA set out standard approaches, criteria and thresholds.

No	Name	Reference	Comment	Processing
23.	Allianz Global Investors (AllianzGI)	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?		
24.	Allianz Global Investors (AllianzGI)	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	The question is whether the level 1 text requires that the costs do not exceed 1% of the capital over the term of the contract (i.e. based on the average capital) or whether that really needs to be 1% of the current capital at any moment in time as the CP text seems to imply. If the cost cap were based on annualized figures the total amount of costs would not be changed. But it would allow a costs distribution over time that would allow an adequate and prudent cost calculation for the providers. Costs are often taken based on different reference values and at different points in time, e.g. as a percentage of the premiums, as a percentage of the assets under management, a fixed amount or in the case of fee based advice based on the time the advice takes. Therefore all costs have to be converted to a common reference value. The obvious solution would be to use the RIY which measures the costs based on the invested capital in an annualized form. This could be capped at 1% such that the costs would not exceed 1% of the capital on average. However even if RIY is not used there is a need for uniform rules on how the costs have to be converted to the common reference "capital". Otherwise a forward-looking cost calculation would not be possible if there is too much room for interpretation.. If the very literal approach of taking 1% of the current capital were implemented there are several downsides: • Providers might not offer contracts against "small" premiums. Or they might not be able to offer at all, if this type of costs distribution is deemed non-compliant with supervisory law. • Providers might make it their business model to become the "second provider", i.e. trying to poach customers from other providers after five or even ten years. The second provider can offer a lower cost rate (measured as a percentage of the current capital) and still have higher margin since the capital in the contract is already higher.	Partially agreed, please see our response to comment 1.

No	Name	Reference	Comment	Processing
			• It is unclear how cost of advice can be redeemed. Especially if a customer changes contracts after five years it will be impossible to earn the cost of advice as the capital is very low in the first years. If the cost of advice is to be included in the cost cap it is vital that an approach based on annualized costs is taken. It is impossible to include advice if a non-annualized approach is taken. Moreover it is unclear how fee based advice can be taken into consideration. The costs of fee based advice is not known to the product provider. Also it often has to be paid up-front as a lump sum. However assuming a premium of 1000€ only 10 € can be taken from the contract in the first year. The fee will usually be significantly higher than that. Does that mean that the product provider has to add money to the contract in order to compensate for the fee of the advice? Cost of advice should be kept outside of the cost cap as solid advice for individual saver should take personal situations, retirement goals, other savings etc. into account. This can be not done in a meaningful way without significant resources and financial support of such advice. Advice for a younger person might be easier and more straightforward, but older consumers require more attention and care. Any inclusion of advice in the cost cap will massively affect the success of PEPP. Current examples from the market show, that current retirement savings products are not taking advice into account. In the context of the cost cap it is important to notice that EIOPA does not give a definition of the cost of the guarantee. It is clear that a guarantee has an impact on the risk/return-profile of a product. But all RMT have an impact on the risk/return-profile. Reducing the risk will always have an impact on possible returns. of the guarantee are mentioned several times in the CP. On the one hand it appears that EIOPA is thinking of opportunity costs: cf. page 31f *Guarantees* *Guarantees are an applicable risk-mitigation technique.* *Individuals show a natural bias towards 'safe' and predictable outcomes and value those benefits higher than the disadvantages of potentially lower returns.* *The long-term low yield environment made offering guarantees relatively expensive, so that guaranteed rates have been significantly lowered or are not being offered any more. Relevant, explicit and comprehensible disclosures for the (prospective) PEPP saver are of paramount importance to understand better the value and the (opportunity) costs of guarantees. In particular, the impact of inflation, and the value of guarantees in monetary terms after inflation, needs to be made clear to consumers.*	

No	Name	Reference	Comment	Processing
			However opportunity costs are not costs in the traditional sense of fees or charges to the customer. Opportunity costs measure the benefits a customer misses out on when choosing one alternative over another. It is unclear which two alternatives should be compared here since there is no standard RMT which serves as a benchmark. However EIOPA seems to imply exactly that on page 29: *3. If the Basic PEPP provides for a guarantee on the capital, the costs directly linked to that capital guarantee on top of the risk-mitigation technique applied to reach a high probability to recoup the capital and charged by the PEPP provider shall not be included in the costs of paragraph 1.* On page 20 the market price of the guarantee is mentioned. It is unclear what is meant by that exactly. However the use option prices might be the idea behind that. *Costs of the guarantee: premium charged for guarantees, which reflect the market price of the cover against the risk of financial loss, or limiting the financial loss or the cover of biometric and any other risks.* It is important not to mix different concepts. If there are explicit guarantee costs these should be made transparent. However, it would be misleading to count lower probabilities of high returns twice: once in the performance section and then again as implicit guarantee costs. A clear definition of guarantee costs is needed. Only guarantee costs charged to the customer can be counted as costs in the sense of fees and charges. A discussion whether to include guarantee costs into a costs cap only makes sense for explicit guarantee costs Regarding transaction cost, we think it should also not be included in the cost cap. As this might lead to missed opportunities because those costs relate to the cost of purchase of securities in an attempt to achieve a positive performance. The higher return expected from the purchase and sale of securities is good for PEPP savers. It would also limit the possibility of running a life cycle strategy over different asset classes where the sell and purchase of instruments is part of the risk mitigation process.	
25.	Allianz Global Investors (AllianzGI)	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	Principle based and uniform rules for all RMT, especially uniform measurement of risk and risk mitigation. The use of a stochastic model is already mentioned in the CP. It is important that a common standard is used for all products in order to ensure comparability and a level playing field. No different treatment for RMT which provide a guarantee. Especially only mentioning inflation in the context of RMTs with a guarantee as implied on page 34 is creating an un-level playing field.	Agreed.

No	Name	Reference	Comment	Processing
			Risk mitigation techniques should include options and derivatives. Just to make sure we are specific enough in case we need such instruments. Generally, a good life cycle strategy design can lead to very high probabilities of recouping capital over a longer investment horizon. All RMT should permissible if they can be shown to meet the principles and mitigate the risk according to the agreed upon measurement Young investors have a greater capacity of taking investment risks.	
26.	Allianz Global Investors (AllianzGI)	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	We think the impact assessment for the fee cap should be strengthened by more data on the cost of providing advice. We strongly believe that such an assessment will lead to the conclusion that the cost of advice should be excluded from the fee cap.	Partially agreed, the impact assessment has been further strengthened.
27.	Allianz Global Investors (AllianzGI)	Q9. Do you have any other general comments to the proposed approaches?	**Inflation / labor costs** Inflation and the trend in future wages are supposed to be taken into account. EIOPA describes the challenges this entails (pages 17ff) but no solutions. The examples seem to imply that only real values are shown. However, only nominal values can be compared to other product disclosures like PRIIP and UCITS. Inflation should be explained to the consumers but not as part of the product disclosure as it depends on the place of residence and not on the product choice.	Partially agreed, inflation-adjusted values are necessary to understand the role of inflation, yet the nominal amounts have to be disclosed, too.
28.	Allianz Global Investors (AllianzGI)	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We welcome the introduction of digital propositions for the PEPP particularly for information provision. However, we believe that the current automated advice world is not yet ready to replace traditional advice. Giving sound, individual advice regarding a personal retirement goal requires in depth analysis of individual situations. For younger savers, a simpler approach even within a automated advice environment could be sufficient and providing the required insights. As soon as the individual situation is more complicated and requires taking into account e.g. the existing 1st and 2nd pillar benefits an individual can expect (plus e.g. other forms of potential retirement income such as rent from real estate, stock etc) the current automated advice is at its limits and a thorough analysis is required as those other sources of income can greatly affect e.g. savings rates (required) and asset allocation.	Agreed.

No	Name	Reference	Comment	Processing
29.	Italian Banking Association	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	Generally speaking, we appreciate the proposed approach regarding the presentation of the information documents. However we have two main comments: 1) the great focus on the digital disclosure and the related new technological possibilities, and the explicit statement that the volume of information to be cointained in the PEPP KID (and justifying the layering) is extensive, seems to be not properly coordinated with the regulatory requirement according to which the PEPP KID shall be drawn up as a short document written in a concise manner. We therefore believe that the Regulatory Technical Standards should also provide guidance to ensure that the content of the KID is indeed short and focused on the really essential information in line with Art. 26 (5); 2) it is not clear whether past performances as well as information on the financial condition of the PEPP provider, including its solvency, will be contained or not in the PEPP KID. The Regulation rules - Art. 26 (9) and Art. 28 – require the provision of past performances to PEPP savers, but seem to conceive them as an additional information rather than a component of the PEPP KID. The Regulation rules – Art. 26 (8) – require prospective PEPP savers to be provided with references to any publicly available reports on the financial condition of the PEPP provider, including its solvency, allowing these prospective PEPP savers easy access to this information. On this regard we appreciate that the consultation paper recognizes that "the information on past performance is relevant both for the PEPP KID, so that the consumer sees – in a generic manner – how the PEPP had performed in the past; and for the PEPP Benefit Statement to get a record of the chosen PEPP investment option". However we believe necessary that the Regulatory Technical Standards explicit clearly that past performances should be: i) part of the PEPP KID; ii) included in the section of the PEPP KID titled "What are the risks and what could I get in return?".	Partially agreed, the required content of the PEPP KID is set out in the PEPP Regulation. EIOPA focussed on streamlining and producing only decision-useful information.
30.	Italian Banking Association	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	Generally speaking we agree with the proposed holistic approach regarding the content of the PEPP KID and of the Benefit Statement on risk reward/performance and risk mitigation in order to help PEPP savers to compare the precontractual information with periodic one during participation period. Referring to your proposals regarding the use of the benchmarks, we think it's important the presence of comparison parameters such as the risk-free rate plus a differentiated premium according to the asset classes in which the PEPP invests. This comparison is in fact useful for assessing the ability of the chosen product to allow the subscriber to achieve its long-term pension targets. In our opinion it's also important the inclusion in the Benefit Statement of management benchmarks constructed with indices representative of the market trend of the asset classes in which the PEPP invests. This would allow the subscriber to measure year by year the PEPP manager's ability to make valid choices also with reference to short/medium term horizons.	Agreed, the rewards benchmark was changed consistently with the holistic approach to measure PEPP's riskiness.

No	Name	Reference	Comment	Processing
31.	Italian Banking Associati on	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	Given the long term nature of the PEPP we believe that differently form PRIIPs the proper approach in terms of risk would be to focus the attention on the time left to retirement. The level of risk of every portfolio could vary significantly depending on the length of time left to retirement as well as the contribution level. Consistently with our view the level of risk of each PEPP investment option should be represented along the maximum time to retirement in order to show its levels at different stages. This would allow each PEPP saver to understand the level of risk as well as the level of what they will receive at retirement depending on their specific age.	Agreed.
32.	Italian Banking Associati on	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	Yes we believe that it is necessary to regulate in a homogeneous and standardized way the key assumptions and input to be used for the stochastic modelling in order to ensure a fair and consistent over time comparability among different PEPPs as well as a level-playing field between providers.	Agreed.
33.	Italian Banking Associati on	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	We agree with the importance of avoiding duplications or overlapping of reporting to different authorities. We therefore appreciate the aim of standardising the set of relevant information to be provided to the competent authorities. This would make the whole organisational system more efficient and ensure a level playing field among different EU countries also avoiding the risk of regulatory arbitrage, fully in line with the spirit of the pan-European character of the PEPP.	Agreed.
34.	Italian Banking	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree	We believe that the "all inclusive approach" to the Basic PEPP's cost cap is consistent with the regulatory requirement fixed by Art. 45 (2) of the PEPP Regulation.	Partially agreed, the exclusion of costs should be done to

No	Name	Reference	Comment	Processing
	Association	that the capital guarantee is a distinct feature, which costs should not be included?	The one proposed by the consultation paper is not really an "all inclusive approach" since it excludes from the cap of 1% (provided by the PEPP Regulation for the costs and fees of the Basic PEPP) the cost of the capital guarantee that represents one of the essential elements of the basic PEPP as an alternative to risk mitigation techniques. We believe that in order to ensure a level playing field between the different basic PEPP providers and, in particular, between the basic PEPP that offer the capital guarantee and the basic PEPP that offer risk mitigation techniques, it is necessary: - on the one hand full transparency in the pre-contractual phase (within the PEPP KID) and during the period of participation in the PEPP (within the Benefit Statement) on the specific cost of the capital guarantee, additional compared to the cap of 1%; - on the other hand, to complement the Regulatory Technical Standards with specific provisions aimed at measuring and representing the value of the capital guarantee so to ensure a fair pricing of the guarantee. Moreover, we have to underline the need to correctly identify the costs of safekeeping of assets to be included in the cap on costs and fees when, according to Art. 48 of the PEPP Regulation, a depositary is appointed, whose tasks and duties must be applied accordingly with Chapter IV of Directive 2009/65/EC. In our view, only the cost of the safekeeping of assets carried out by the depositary should be included in the cost cap and not even those of the oversight duties.	address differences between different types of Basic PEPPs or due to different providers. Agreed.
35.	Italian Banking Association	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	n/a	
36.	Italian Banking Association	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	n/a	

No	Name	Reference	Comment	Processing
37.	Italian Banking Association	Q9. Do you have any other general comments to the proposed approaches?	The consultation paper often refers to PEPP providers or PEPP distributors "when advising or offering for sale" a PEPP. It is not clear for us how it would possible to offer a PEPP without advising, taking into account that: Art. 34 (2) of the PEPP Regulation states that "The PEPP provider or PEPP distributor **shall provide advice** to the prospective PEPP saver prior to the conclusion of the PEPP contract providing the prospective PEPP saver with a personalised recommendation explaining why a particular PEPP, including a particular investment option, if applicable, would best meet the PEPP saver's demands and needs The PEPP provider or PEPP distributor shall also provide the prospective PEPP saver with personalised pension benefit projections for the recommended product based on the earliest date on which the decumulation phase may start and a disclaimer that those projections may differ from the final value of the PEPP benefits received. If the pension benefit projections are based on economic scenarios, that information shall also include a best estimate scenario and an unfavourable scenario, taking into consideration the specific nature of the PEPP contract"; - Art. 34 (6) of the PEPP Regulation states that "PEPP providers and PEPP distributors shall ensure and demonstrate to competent authorities on request that natural persons giving advice on PEPPs possess the necessary knowledge and competence to fulfil their obligations under this Regulation. Member States shall publish the criteria to be used for assessing such knowledge and competence". We therefore believe that the Regulatory Technical Standards should provide clarity on this issue in order to ensure a homogeneous interpretation and application of the PEPP Regulation regarding the mandatory provision of advice. Referring to the paragraph 2.5, the request to assess the time necessary for each subscriber to examine the PEPP KID before assuming contractual obligations can generate organizational problems. It seems preferable to set a suitable time for everyone and to offer those who have greater difficulties the necessary advice. Predicting longer times does not normally lead to a more accurate examination but simply to a postponement of the analysis. In addition, those who do not have the necessary knowledge and experience requirements often renounce any attempt of independent study, especially in the case of products with a higher level of complexity.	Agreed.

No	Name	Reference	Comment	Processing
38.	Italian Banking Association	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	n/a	
39.	AMICE	Preliminary comments	AMICE welcomes the opportunity to provide feedback on EIOPA's proposed approaches to the regulatory and implementing standards, and technical advice to the European Commission on delegated acts, as mandated by the Pan-European Personal Pension Product (PEPP) Regulation. As highlighted in the consultation paper (page 13), the PEPP is not a basic financial product: • it contractually engages the customer for a (very) long period of time, during which his/her conditions of life may significantly change, as the general socio-economic environment will do (including a potential change in the country of residence). • The choice the customer makes when contractualizing reflects his/her current analysis of his/her personal circumstances. The type of investment option, selected with the professional advice of the PEPP provider to try to answer the needs a PEPP customer expresses, **will have to be regularly re-assessed** to adapt to his/her situation, means and needs. Such professional support will be required whatever the investment option is (basic or not) and, in our opinion, cannot (yet) be provided on a fully automated basis. We share the European Comission and EIOPA's view on the interest to develop, as much as possible, a harmonised, simple, transparent and safe offer that could be reflected through information documentation. But the market will face (at least) two significant difficulties: • the current financial and economic environment is not the best one to launch such a new product. • heterogeneity among the various national markets, in terms of actual maturity, financial culture/education, legal and fiscal environment will not help to reach those objectives, complexifying the structuring and management of such a multi-national product.	Agreed.

No	Name	Reference	Comment	Processing
			If we add the ("idealistic") objective to develop a future proof system, leveraging new technological possibilities, **this will not be done without significant investments (meaning time and costs)**, which obviously raises questions about the ability/interest of a number of existing players to enter such a PEPP market, particularly for the smaller ones, at least in the short term. We are also concerned by the **constraint put by the current timeline**. Such a constrained timeline: • requires public consultation and consumer testing in parallel, which does not allow the providers to benefit from the consumers' feedback; • excludes the two-step consumer testing approach which we consider necessary to address correctly the need for information; • puts an unnecessary burden on EIOPA to provide the European Commission with a solid, fully tested and argumented proposal (as shown hereafter there are still a number of issues to be clarified). Last but not least, throughout the consultation paper, **inflation** is highlighted as a key risk to take into account. On one hand, the consultation paper indicates (page 8) that "*Regarding the specifications of the underlying assumptions for the projections, reference should be made, where relevant, to the consistent calculation of nominal investment returns, **the annual rate of inflation** and the trend of future wages, in collaboration with the ECB and Eurostat*". On the other hand, it is underlined that "*There is a clear dispersion of inflation rates within the Member States of the European Union. The divergence of inflation rates occurs not only across countries with different currencies and independent monetary policies, but also within the monetary union […] Given the complexity and the impracticability of addressing all macroeconomic factors behind these divergences, the determination of the applicable annual rate of inflation for the PEPP is not straightforward*". On this matter, the PEPP Regulation ("Basic PEPP") stipulates that inflation indexation could be included. If we assume that reference needs to be made to the risk of inflation, we **do share the view that inflation introduces complexity in the required projection exercises, either to generate assumptions for projections or benchmark. Such complexity cannot be assumed by providers**.	
40.	AMICE	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements	As a preliminary comment, we welcome the mock-up approach which should contribute to the development of "user-friendly" information documents on a complex financial product. We believe that the PEPP information documents must be clear, simple, easy to understand and avoid information overload and duplication.	Agreed, see also our response to comment number 29.

No	Name	Reference	Comment	Processing
		are translating well the outlined objectives?	However, we question the timing of the ongoing consumer testing as the mock-ups proposed in the consultation paper are likely to be updated in light of feedback from the consumer testing. This may result in the finalized mock-ups being introduced without any possibility of consulting stakeholders. In our view, it would be useful to make a better distinction between the Basic PEPP and the alternative investment options. Previous experience (on PRIIPs notably) shows that information overload and burden is an issue for consumers. If all alternative investment options need to contain the necessary information, based on quality rather than quantity, the information contained in the Basic PEPP should definitely be simpler. **We do not see any evidence** on that matter in the current consultation paper (nor in the proposed mock-ups), notably **in the way the layering should be defined**. **Layering of information (Page 9)** The consultation paper highlights on one hand the fact that "*the volume of information to be contained in the PEPP KID is extensive, and so all tools that can be used to aid the consumer in navigating the document and extracting key information should be used*". On the other hand, it states the necessity for "*a standardised information document*" with RTS specifying the required details of the presentation. We do share this view but we do not find in the consultation paper nor in the mock-ups enough clarification, particularly regarding the layering, the sub-accounts and the use of new disclosure formats (audio, video). **Indentification of building blocks (page 13)** We believe there is not enough information provided regarding the elaboration of the various scenarios and would appreciate additional clarification. **UFR (Page 14)** The UFR is a combination of a risk free rate and an expected inflation rate. As indicated above, regarding inflation, we think that there is a lot of uncertainty on those two components especially in the persistent low interest rate context and the expected inflation could be quite different from one country to another. Furthermore, the UFR is calibrated in a solvency calculation perspective so it might not be adapted in the PEPP context. Therefore, we do not agree with the proposal to use the "*measure of the standard deviation from the mean (best estimate) expected outcome per decumulation option available (PEPP KID) or decumulation option chosen (PEPP Benefit Statement) together with the probability of reaching returns in line with the ultimate forward rate".* **Past performance (Page 15)**	

No	Name	Reference	Comment	Processing
			EIOPA's proposal provides for a section on past performance with, on the one hand, the display of past product returns over 1, 3, 5 and 10 years with the investment options chosen and, on the other hand, the display of past performance with a relevant benchmark over 1, 3, 5 and 10 years: • Basic PEPP investment option • Average performance of all PEPP offered (by the market?) • Index (which one?) • Long-term risk-free rate (UFR). The display of two performance tables of average returns and benchmark returns would overload consumers and not make it easy for them to make an informed decision. Moreover, we believe that there is no need "*to present average returns over ten, five, three and one years*". It would imply such information exists which might not be the case for a number of new products. We therefore suggest limiting this information to two references: • The one year return; • The maximum between 10 years and the existing life experience of the contract. Adding the average returns over 5 and 3 years would unnecessarily complicate the information provided to the customer and be misleading given the long-term nature of pension products. We would also appreciate clarification on "relevant" benchmarks, bearing in mind that we do not agree on the UFR reference. **Summary Risk Indicator (Page 16)** Regarding the summary risk indicator, EIOPA puts forward two options: "*risk classes and/or simple textual presentation"* or a matrix approach. We believe that the first option should be the preffered option given that it would be easier for consumers to understand than the matrix approach, which is quite complex and potentially confusing for consumers. The consultation paper underlines the fact that "*Consumer testing will be important in drawing out which forms of presenting the summary risk indicator work best*". We do agree on that analysis but are questioning the presentation made in the various mock-ups on that matter: • Illustration is limited to 2 different scales, and	

No	Name	Reference	Comment	Processing
			• Narratives explanations do not provide, in our opinion, a clear view on the type of risk assumed and on the way the level of risk has been defined/analysed. More specifically, the PEPP Regulation stipulates in recital 39 that "*The default investment option should allow the PEPP saver to recoup the invested capital".* In the case of this basic option, we would appreciate to know whether this objective results in a standard "risk class", meaning that the risk indicator level would be unique. **Standard inputs and assumptions for performance scenarios (Page 17)** The consultation paper is not clear on the approach EIOPA intends to adopt for standard assumptions and valuation inputs for performance scenarios. For the applicable basic return assumptions, referred to as "annual rate of nominal investment returns", EIOPA proposes two alternatives. While waiting for the outcome of the ESAs' consultation on changes to the Key Information Document for PRIIPs to decide whether to propose the simplified approach for performance scenarios under the PRIIPs Delegated Regulation, EIOPA suggests to use the long-term risk-free rate (ultimate forward rate) plus average long-term risk premia per different asset classes. As explained above, we do not agree with this suggestion. Regarding inflation, as mentioned previously in our preliminary comments, it is highlighted as a key risk to take into account. On one hand, the consultation paper indicates (page 8) that "*Regarding the specifications of the underlying assumptions for the projections, reference should be made, where relevant, to the consistent calculation of nominal investment returns, the annual rate of inflation and the trend of future wages, in collaboration with the ECB and Eurostat*". On the other hand, it is underlined that "*There is a clear dispersion of inflation rates within the Member States of the European Union. The divergence of inflation rates occurs not only across countries with different currencies and independent monetary policies, but also within the monetary union […] Given the complexity and the impracticability of addressing all macroeconomic factors behind these divergences, the determination of the applicable annual rate of inflation for the PEPP is not straightforward*". On this matter, the PEPP Regulation ("Basic PEPP") stipulates that inflation indexation could be included. If we assume that reference needs to be made to the risk of inflation, we do share the view that inflation introduces complexity in the required projection exercises, either to generate assumptions for projections or benchmark. Such complexity cannot be assumed by providers. **Cost disclosure (Page 19/20)**	

No	Name	Reference	Comment	Processing
			The PEPP Regulation requires "*Full transparency on costs and fees related to the investment in a PEPP*". In addition recital 55 states that "[…] *A level-playing field between providers would be established, whilst ensuring consumer protection*". In this context, it is essential to avoid an information overload on consumers and to confuse them with details that are not straightforward to understand. To this end, while we recognize EIOPA's effort to ensure consistency between the PEPP information documents by extending the same breakdown of charges set by the PEPP Regulation for the PEPP Benefit Statement to the PEPP KID, we believe that consistency should be also ensured between the PEPP KID and the PRIIPs KID on the cost categories. Bearing in mind the different objectives pursued by the two products, as highlighted also by EIOPA, it is important to point out that PRIIPs Delegated Regulation on KID is a good starting point for the development of the RTS for the PEPP information documents, and particularly the table on costs no. 2 as represented under Annex VII of the aforesaid Delegated Regulation which contains macro-categories of costs (one-off, recurring, incidental). Compared to the breakdown of charges that EIOPA suggests instead to include in the PEPP KID (page 19), such a table seems clearer and more streamlined, without reporting sub-categories of costs that would hinder the required standardisation as they are not easy to understand for the consumer (e.g. administration costs) and difficult to be quantified by the providers (e.g. distribution costs). Should instead the breakdown of charges proposed for the Benefit Statement be kept,we would like to emphasize on the importance of excluding: • **distribution costs** from the other components, for the PEPP KID, as these costs strongly depend on the distribution channel and the advice cost which is attached. On that matter, linking to our preliminary comment, fees related to providing "personal recommendations", will fluctuate as a function of the needs expressed by the customer during the whole accumulation phase. This pleads for an "average yearly costs" approach. Moreover, the distinction between distribution costs and administration costs is hardly applicable to the European insurance field whose predominant model includes the distribution costs into the product costs. The distinction therefore would have no impact on the choice of the customer and in addition, would be quite impossible to calculate fairly. • **guarantee costs**. On that specific matter we do not agree on the cost of guarantee definition as provided ("*premium charged for guarantees*"): **it is essential to differenciate the cost of the risk that has been transfered to the provider** (which is a risk premium) **from the cost attached to set up of such a guarantee**. **Presentation of costs (Page 21)**	

No	Name	Reference	Comment	Processing
			Regarding the "Reduction in Wealth" approach (RiW), we would need more information on the way it works before validating such an option and we consider that providers' feedback would also be needed to test both options (RiW and RiY). **Article xa Review of the PEPP KID (Page 22)** We believe that EIOPA should not prescribe any defined intervals for the review process. The period should depend on the type of product and it should occur only in case of significant changes. **Article xa Conditions on good time (Page 23)** We consider that Article xa, paragraph 2(c) is not sufficiently clear. Regarding the availability of information, we welcome EIOPA's suggestion that the PEPP information document is simply accessible on a website or a mobile application (paragraph 3). More generally, we would encourage the adoption of measures in coherence with other existing regulations (IDD notably).	
41.	AMICE	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	We agree to approach the areas of risk/rewards, performance and risk mitigation for the PEPP in a holistic manner. The information documents should be tailored to the specificities of PEPP. Although we welcome EIOPA's suggestion to deviate from the PRIIPs approach, the current proposals are lacking precision and it is difficult to provide meaningful comments. We invite EIOPA to take the necessary time to further investigate this issue and to consider the results of the testing before submitting its final technical advice to the European Commission. It is worrying to see EIOPA's suggestion requiring to assess risks at individual level, based on personal circumstances (page 13: "the main risk of pension product is the risk of not reaching the individuals' retirement objective). It is not clear how EIOPA's proposal to "link the riskiness of the investment optioin to the relative deviation of the projected pension projection from the best estimate" (page 15) could work in practice. It seems quite challenging to factor in individual expectations when disclosing PEPP risks in a standardized pre-contractual information document. It should be the role of advice to assess if a given PEPP product matches the personal needs and circumstances of the potential PEPP saver and not the one of risk measurement and information disclosure. We invite EIOPA to consider this point.	Agreed, the proposals have been further specified in this regard.
42.	AMICE	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of	No, AMICE does not agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate. See our earlier comments on inflation.	Partially agreed, the proposals have been further specified in this regard.

No	Name	Reference	Comment	Processing
		reaching at least the long-term risk-free interest rate?		
43.	AMICE	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	Although we agree that the assumptions should be somewhat standardized, we believe that EIOPA should examine closely the benefits of a forward-looking stochastic modelling applicable to the different risk mitigation techniques. The method should be well calibrated, uses an appropriate range of data and suitable for all types of products.	Agreed.
44.	AMICE	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	According to the findings of the Commission's recent fitness check of the EU supervisory reporting requirements in the area of financial services, as presented on 7 November 2019 (Results of the fitness check of supervisory reporting requirements in EU financial services legislation), show inconsistencies between reporting frameworks, which reduce the quality of data and increase the administrative burden for financial institutions. To improve the system, the fitness check suggests a comprehensive approach by the Commission and the relevant stakeholders to further streamline the requirements and develop a supervisory reporting that is fit for the future. Bearing this in mind, a question arises on how to ensure consistency between existing reporting requirements that the different PEPP providers (insurers, asset managers, pension funds) are subject to, and the new PEPP requirements. In any case, we expect that processes will be clearly defined, for example when PEPP providers are required to report to NCAs any material changes to the supervisory reporting information submitted after the occurrence of an event that could affect the protection of PEPP savers as well as in case of ad hoc supervisory enquiries that NCAs can decide to carry out regarding the situation of the PEPP provider or product besides regular supervisory reporting and reporting after pre-defined events (page 25 of the consultation document).	Agreed.

No	Name	Reference	Comment	Processing
			Uncertainty in terms of procedures and NCAs' powers, as well as in terms of providers' rights and obligations, would create extra burdens and costs that may directly affect the launch of the PEPP market. **Deadlines of the regular reporting (Pages 26-27)** There should be more clarity on the reporting obligations before the deadlines of reporting are set.	
45.	AMICE	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	Regarding **the 1% cost cap for the Basic PEPP,** we do support the principle of cost efficiency but do not agree on the level of the cost cap and we consider that the overall benefit of such a concept could be challenged for various reasons: • With regards to the necessary investment to enter such a new market, it will be detrimental to the smaller players and would therefore question the proportionality principle. • The fee cap would have serious detrimental effects on competition and limit the number of PEPP providers. • The fee cap may result in excluding lower contributions. • Regarding the specific features attached to the PEPP product (switching possibilities, set up of risk mitigations techniques, information and advice obligations,…), it is not possible to evaluate the correct level of cap which could be acceptable for entering such a market. • Upfront investments to launch such a product will initially increase the overall weight of costs which may decrease subject to the potential success of the product.The cost cap could also have a negative impact on product innovation and could constrain the quality of service that the PEPP provider can afford to offer. We would rather defend the cost transparency approach which has proven to be a useful tool. **Exclusion from the cap** We consider that **distribution costs** should be excluded from the cost cap. As previously mentionned, the level of distribution costs is directly linked to the distribution channel. We agree with EIOPA's approach that the **capital guarantee** should not be included in the Basic PEPP's cost cap. In our view, there are three main arguments that support this position: 1. As already expressed in the preliminary comments and in the response to question Q2 on cost disclosure (in line with EIOPA's reasoning), the guarantee provides for an additional value to the product that the consumer should be able to identify and appreciate separately from the other components of the PEPP	Partially agreed, please see our response to comment 1.

No	Name	Reference	Comment	Processing
			(especially in the current economic context of low interest rates – please see below point 3), so that he/she can make an informed choice. It derives that it is not proper to refer to the cost of the guarantee but to the premium charged for the guarantees, i.e. the cost of the risk that has been transferred to the provider. 2. By excluding the guarantee from the “all inclusive approach” it is possibile to avoid a potential interpretative and operational problem relating to the need to find a methodology able to determine a fair and objective pricing of the different type of guarantees. Given the objectives to ensure a fair treatment of both types of Basic PEPPs (one providing a guarantee on the capital and one – a risk-mitigation technique consistent with the objective to allow the PEPP saver to recoup the capital) and a level playing field between the different providers, it is essential that the pricing of the guarantee is defined in a transparent way. In the absence of such a methodology, we are of the opinion that transparency and comparability are ensured by representing and calculating separately the premium charged for the guarantees. 3. In the current low interest rate environment, it has become extremely costly to offer guaranteed products. The International Monetary Fund (IMF), for example, has looked at the issue in the April 2019 Global Financial Stability Report (GFSR) where it attempts to provide a comprehensive assessment of financial vulnerabilities and to identify the required action by policymakers. In this context, the report finds that very low rates are prompting investors to search for yield and take on riskier and more illiquid assets to generate targeted returns. According to the IMF, those vulnerabilities among institutional investors can be addressed through appropriate incentives - for example, by reducing the offering of guaranteed return products - minimum solvency and liquidity standards, and enhanced disclosure. Bearing this in mind, and the efforts which will be made by the different PEPP providers to offer the Basic PEPP with the limits and conditions set by the cost cap (i.e. 1%), it will be crucial for them to be able not to include the premium charged for the guarantee within the cost cap and to calculate the latter separately. **Automated advice without human intervention (Pages 28-29)** It is worth noting that insurance undertakings are already subject to the requirements of the Insurance Distribution Directive, and there is a very limited use of automated advice (robo-adviser) without any human intervention. Although robo-advisers may bring cost-efficiency gains, these will require significant investment costs to put in place. As explained before, personalized advice is necessary even for Basic PEPP during the accumulation phase given that many changes can occur in the lives of PEPP customers (i.e. job, family, wages; taxes,...) and to take into account the financial knowledge of consumers. Based on the above observations, we support an exclusion of advice costs from the 1% cost cap. Finally, we would encourage EIOPA to consider “the average yearly cost” approach.	

No	Name	Reference	Comment	Processing
46.	AMICE	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	We observe that the use of risk-mitigation techniques do not have the same implications when set up by the different types of providers, depending on the nature of the techniques and on the existing prudential regulations. The PEPP Regulation underlines the need to maintain a level playing field approach and we recommend this principle to be respected. Flexibility should be preferred to overregulation. Moreover, the set minimum criteria should ensure adequate protection of consumers and in return, prudential safety. The link made between the holding period (of at least 10 years) and the possibility of providing these guarantees seems inappropriate: in periods of low/negative interest rates, the duration is no longer a guarantee of convergence in the long term towards the absorption of possible losses (Objective of the risk-mitigation techniques, paragraph 3 and Life-cycling, paragraph 2). Some of EIOPA's proposed criteria seem too cumbersome and difficult to comply with, and quite intrusive, even potentially in conflict with other European or national regulatory objectives (e.g. pooling or limitation of guarantees). Other suggested criteria are open to debate. Article xb Life-cycling, paragraph 3 states that "*For the PEPP savers closest to the expected end of the accumulation phase, the PEPP provider shall ensure that the investments are predominantly liquid, of high quality and exhibit fixed investment returns*." Are these investments underlying the funds held by the saver or directly held investments? In the latter case, even a bond will give a fixed income, but not a yield given the variation in its value on the interest rate market. And if it is a question of taking obligations maturing with the contract, therefore of a few years of maturity, we know that the income would be certainly fixed, but negative. Likewise, Article xa, Objective of the risk-mitigation techniques, paragraph 8 sets out the measures to be taken in the event of a fall in the markets before the term reflect both a simplistic conception, and largely overlap and wrong about what is mandatory duty of personalized advice while recognizing the fallibility of risk mitigation. ("*8. In case of adverse economic developments within three years before the expected end of the remaining duration of the PEPP saver's accumulation phase, the PEPP provider shall extend the last phase of the life-cycle or the applied risk-mitigation technique by an appropriate, additional time of up to five years after the initially expected end of the accumulation phase, subject to the PEPP saver's explicit consent and in accordance with conditions, if any, set out in Article 47(2) of Regulation (EU) 2019/1238*.")	Partially agreed, the requirements have been amended. Please see our response to comment number 11.
47.	AMICE	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which	**Policy issue 1**	Agreed.

No	Name	Reference	Comment	Processing
		could further enrich the draft Impact Assessment?	We share most of the criticism against the RiY approach, in particular its dependence on yield assumptions and the fact that the consumer could think that fees are very low. For these reasons, we do not agree with the policy option 1.1 which consists in replying the RiY approach used under PRIIPs. Moreover, we think that the PEPP KID should specify the fees regarding the decumulation phase. **Policy issue 2** While we might agree that developing a standardised pension product in a European legislative framework could lead to a reduction of cost in a long term perspective, we disagree with the idea that the PEPP (even the basic PEPP) will allow insurers to generate economies of scale, the potential market being too small to generate economies of scale. ("In 2015, 11,3 million Union citizens of working age (20 to 64 years old) were residing in a Member State other than the Member State of their citizenship and 1,3 million Union citizens were working in a Member State other than their Member State of residence." – source: PEPP Regulation). As mentioned above, it is necessary to exclude the cost of guarantee from the cost cap. Costs included/excluded from the cost cap should be precisely defined in order to avoid the risk of unfair competition. **Policy issue 3** The policy option 3.3 (which is EIOPA's preferred option) is not provided with enough details to allow AMICE to take a clear position (what are the objectives? What would be the applicable criteria?). We disagree with the option 1 (setting out strict criteria on investment allocation); more generally, setting too strict rules will not encourage insurers to enter in the PEPP market.	
48.	AMICE	Q9. Do you have any other general comments to the proposed approaches?	In addition to the preliminary comments expressed above, AMICE would like to take this opportunity to remind of the importance of the tax component on PEPP and of the potential effects that taxation will have on the launch of this new market. AMICE members are aware that taxation is in the remit of Member States' competence and that Member States are free to decide whether to give tax incentives to PEPP. We take note of the European Commission's recommendation addressed to Member States on the tax treatment of personal pension products, including the PEPP, to grant the PEPP the same tax relief as national personal pension products. However, given the non-binding nature of the recommendation, and the potential divergence of approaches on tax treatment that will be adopted by the Member States, there is a risk of uncertainty which PEPP providers will have to face when they design the product and calculate the costs.	Noted, taxes are outside of EIOPA's mandate.

No	Name	Reference	Comment	Processing
			A lack of a level playing field before the launch of the PEPP market is certainly an issue which will have to be solved.	
49.	AMICE	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We welcome the use of digital tools to present PEPP information documents. The layering can facilitate comprehensibility and streamline the quantity of information. In order to avoid legal uncertainty and litigation to arise on the ground that a PEPP saver has not received the necessary information, we invite EIOPA to indicate clearly which information should be in the first layer and the minimum information to be presented in the subsequent layers while leaving the flexibility for providers to provide additional information. EIOPA should also specify that providers are liable for what is explicitly required. In view of the growing importance of online distribution channels, EIOPA should ensure that providers are given sufficient flexibility when distributing PEPP products. Nevertheless, the online distribution will need to consider the mandatory advice for PEPP as required in the level 1 text.	Agreed.
50.	PFA Pension Denmark	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives? 1) Consultation paper, page 11/60, “biometric risk” 2) Consultation paper, section 2.2, risk & return section, “tax information” 3) Consultation paper, section 2, general comment pursuant to article 28 (3b)	PFA agrees with EIOPA that a standard fact sheet of the offered products ought to be prepared. From a customer perspective, we find that out of the three forwarded versions version ”5.b” and ”10.b” are most suitable. We find it difficult to gain a proper insight into the digital layering from the forwarded material. However, it is very important to us that the digital layering is consistent, simple and customer-focused. In the first layer, a paragraph should be inserted stating whether one or more insurance elements are linked to the PEPP product. The part of the standard formula, which is to be used for insurance products, can with advantage imitate the standard formula which already exists under IDD. This will make the fact sheets recognisable to the consumer. This elaboration should be available in an underlying layer. PFA completely agrees to show forecast figures before tax and adjusted for inflation. In Denmark, we state figures adjusted for inflation in order for the customers to be able to compare the value of their savings and payouts with the present status. If savings/payouts are stated without adjustment for inflation, the amounts tend to look artificially high in cases with long time to retirement. Our experience is that the customers understand and are able to relate to the inflation-adjusted figures. The regulation defines a standard period for comparison of a 10-year performance. However, the comparison period will be for the full life span of the product when less than 10 years. This makes it difficult to make a comparison between products with more than 10 years on the market and products with a shorter life span. During the next years, all products will have a relatively short life span (less than 10 years). This way, we lack	Agreed, the requirements have been amended for the issues mentioned.

No	Name	Reference	Comment	Processing
		4) Consultation paper, section 2, general comment pursuant to article 28 (3b)	data in the 5- and 10-year sections. The problem of comparison will therefore not be noticeable during the first years. We recommend that the standard period for comparison of performance is considered in connection with a review of the PEPP regulation and is supplemented with a return performance covering an increased number of years i.e. when witnessing inexpediencies on measurement of performance with only one return figure. An issue which has not been addressed is the investment horizon. As the savings will be invested depending on the time to retirement, comparing life cycle products with different time to retirement should not be done. To avoid overloading the customers with data, historical performance can be displayed for one fixed investment horizon or a few predefined investment horizons. 1) We do agree that it is important to inform about biometric risk coverage if this is part of the PEPP product offered. The existence of biometric risk coverage can prove decisive for the customer's choice of one PEPP product rather than another. The information requirements for biometric risks should be the same as in the Insurance Distribution Directive (IDD), cf. IDD regulation no. 2017/1469 concerning fixing a standard presentation format for the document containing information about the insurance product. Therefore, we suggest: a) that the section "What is this product" can be applied as a subtitle specifically describing biometric risk coverage. b) that the information document is supplemented with an extra section applied if the PEPP product contains biometric risk coverage. This makes it possible to describe in detail any special underwriting and payout conditions in an underlying layer. c) that a referral is entered to any separately prepared insurance product information document (IPID). 2) The IPID includes a brief reservation informing that the stated figures do not allow for the personal tax situation and that this may affect the payouts considerably. The text results in the following remarks:	

No	Name	Reference	Comment	Processing
			a) The reservation is not only relevant to the stated figures but may also be relevant to certain paragraphs. For instance, “early withdrawal” is described only in text and not by illustration, even though it may have major tax implications to make an “early withdrawal”. a) We agree that it is not possible to describe the tax rules, however, we do find that we can and ought to inform more clearly about the very heavy implications that the tax rules may have for the customer’s “payments”, “yield” and “payouts”. It is also important to state where the customer can find more information about the tax treatment. We suggest supplementing with the following information: - That tax rules may have considerable impact not just on the payouts but also on the size of payments and the current return - That the customer should be encouraged to look into the tax treatment of the PEPP product with the provider of the PEPP product, for instance the provider’s website. If the customer is liable to pay tax in another country than the country in which the PEPP product is offered, the customer should be encouraged to look into the tax rules of the country in which the customer is liable to pay tax 3) The IPID contains an introductory wording stating that this is a “long-term product with limited redeemability, which cannot be terminated at any time”. This wording is a consequence of the regulation. The wording is very binding and may easily be enterpreted as if the PEPP provider is not able to make any changes in the standard terms of agreement applicable to the PEPP product. This is not desirable as the PEPP provider must be allowed to make changes according to the standard terms of agreement that apply to the offered PEPP product. The IPID should therefore be supplemented with information that “the complete terms of agreement on the product can be found in other documents” and that the “information provided in the IPID applies only as long as changes are not being made in the standard terms of agreement”. The IPID should also include brief information about what applies if the PEPP provider no longer wishes to be a PEPP provider, for instance that PEPP products will be converted to similar ordinary national pension products.	

No	Name	Reference	Comment	Processing
			4) A "section" should be added where the PEPP provider can state any optional standard products, for example, different investment profiles. 5) In Denmark, it is not necessarily possible to have one's full savings paid out on retirement. The wording in PEPP KID as well as in PEPP BS may give the customer cause to believe that the complete savings can be paid out as a lump sum on retirement. As an alternative to the wording: "you could receive as a lump sum", we suggest the wording "your savings could be €XX.XXX or €XXX per month paid as an annuity".	
51.	PFA Pension Denmark	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	It is positive that the PEPP risk mitigation is made based on a holistic approach. Also, it is very positive that no changes are announced regarding the prudent person principle. Please note that the same applies here: the integration of ESG in the prudent person principle must not lead to a change in the principle-based approach.	Agreed.
52.	PFA Pension Denmark	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	It is problematic only to measure risk based on the size of the savings dispersion, as a large dispersion will then indicate a high risk. However, it will not be considered whether the increased risk will also result in the expected payments being higher. We have made calculations according to the stochastic modelling applied for forecast calculations in Denmark showing that three life cycle products with the same negative scenario may have very different values for the best estimate and good scenarios. In our example, the product with the largest dispersion – and thus the highest risk – generates the best returns for both the best estimate and good scenario. We propose that EIOPA, based on the stochastic modelling, examines the possibility of defining a "risk efficiency measure" which takes into account the dispersion as well as the size of the prospective savings/payout which the customer can look forward to by taking the actual risk relative to the expected outcome when investing at a risk-free interest rate. For instance, the probability of how much extra one can expect to receive compared to what the risk-free interest rate generates could be made an element in the examination. The ultimate forward rate should not be used as the risk-free interest, as proposed by EIOPA because the ultimate forward rate is not a eligible investment asset for the customer. Consequently, the ultimate forward rate constitutes an undesirable benchmarking for the PEPP products that ultimately will appear unfavourable when compared to the risk-free alternative.	Agreed, the requirements have been amended in line with the suggestions.

No	Name	Reference	Comment	Processing
			In Denmark, our best suggestion for an investment asset with a risk-free interest rate will be Danish government bonds, for which the expected future return to be used will be set by the independent council "Rådet for Pensionsprognoser" (The Danish Council of Pension Forecasts).	
53.	PFA Pension Denmark	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	PFA agrees that mutual assumptions on calculation of forecasts must be defined to ensure consistency and comparability between the various PEPP products. Whether the assumptions are defined by EIOPA, or it is an independent board of experts like in Denmark, is not decisive (cf. pensionsprognoser.dk). It is important to include the assumptions of inflation in the mutual assumptions and that the assumptions of inflation are applied in the stochastic modelling when calculating projections so that it is easy to compare PEPP products from providers across the different countries. EIOPA has suggested quantiles of 99 % and 95 % for qualification of the intended effect of a risk mitigation technique, i.e. to ensure that, to a high degree of certainty, the paid capital less costs will be available to the customer at the time of retirement. Calculations made according to the stochastic modelling applied for forecast projections in Denmark using suitable life cycle products and the prognosis assumptions that apply in Denmark shows that with the quantiles selected by EIOPA it will be possible to create products without guarantee that fulfil the qualitative requirements. It is important that the qualitative requirements, i.e. the probability that at least the paid capital less costs is due at the start of the decumulation phase, is a measure applying to the offered PEPP product and that control of this product characteristic is only to be applied in connection with product updates or when the underlying prognoses assumptions are adjusted. If the product does not comply with the characteristics, for instance, because the underlying prognosis assumptions have been subject to an update, it must be possible to adjust the life cycle gliding path for all customers with the product, so that the product fulfils the qualitative requirements again.	Partially agreed, the requirements have been amended to portray a high, yet realistic, ambition.
54.	PFA Pension Denmark	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	EIOPA proposes that the national competent authorities should receive multiple information on a regular basis about the provider of PEPP and the PEPP product. It is important that the requirements of reporting are proportionate to the penetration/extent of the PEPP business. A comprehensive reporting requirement may result in PEPP product offers becoming unattractive, why EIOPA should evaluate on a regular basis whether the requirement to reporting measure up to the resources required for making the reporting. PFA will also recommend caution when it comes to requirements for preparation of supplementary risk reports and new and/or comprehensive changes in existing XBRL taxonomies.	Agreed.

No	Name	Reference	Comment	Processing
55.	PFA Pension Denmark	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	PFA very much agrees with the 'all inclusive' ideas that make the basis of the cost cap for Basic PEPP. We also agree that expenses for insurance elements, including payment for the guarantee, should not be included in cost cap. It should be made clear that 'all inclusive' includes both indirect costs in sub funds and performance fee's paid to third parties. Inspiration to a standardised method of calculation of the incurred costs can be found in the cost recommendation from the Danish trade association Insurance & Pension Denmark. The templates state a 'One-off cost' amounting to € 75 for administration and distribution which is payable on establishment. These expenses are not subject to the cost cap, but it is unclear how they are to be calculated and whether they are limited by anything else besides natural competition.	Agreed.
56.	PFA Pension Denmark	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	We find it reasonable to adopt a holistic approach to the definition of risk-mitigation techniques, so that the description of how such techniques are to be modelled will not be exhaustive. Consequently, we find it reasonable to define the purpose of the risk-mitigation technique and which purpose it is to serve. This way, it enables innovation within the framework provided. EIOPA's drafted framework defining the probability that the customers can expect to have at least the paid capital less costs at their disposal on retirement is a strong element. Moreover, requirements can be made to the set-up of the product to ensure a fair and responsible contribution.	Agreed.
57.	PFA Pension Denmark	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?		
58.	PFA Pension Denmark	Q9. Do you have any other general comments to the proposed approaches?		

No	Name	Reference	Comment	Processing
59.	PFA Pension Denmark	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We believe that for the PEPP to become a widespread success ease of use and trust is of the utmost importance. It is crucial that the customers can trust both the product and the governance surrounding it. A digital platform with the objective of comparing PEPP products could help making it easy for customers to compare and select between different relevant PEPP products. It is important that the platform is governed by an independent party. We believe that EIOPA could be responsible for (or at least oversee) this platform since EIOPA is already supposed to keep records of all registered PEPP products in a central public register. We are convinced that it will be necessary to implement a digital distribution of PEPP in order for the product to be cost-efficient. as There is a need for clarification of which requirements and liabilities is required when it comes to how the customers are to be advised about the PEPP product. Should advice and guidance be made according to the regulations under MiFID, IDD or any other (EU) regulations? The question is relevant partly to ensure a “level playing field” in relation to other pension and insurance products and partly to ensure that the PEPP providers can organise the digital distribution channels to match the customer advisory services requirements. It is common in Denmark that pension savings plans include one or more insurance elements, which is why the regulations under IDD govern the requirements to customer advisory services. We consider it natural that PEPP products are also subjected to the regulations under IDD, especially if the PEPP product includes “biometric risk”. We believe that the IDD regime enables a digital distribution of PEPP, particularly the Basic PEPP which is, considered to be, a simple, safe and price efficient product suitable for most customers.	Agreed, further work on tailoring the mandatory advice would be beneficial.
60.	PFA Pension Denmark	The basis of agreement of PEPP and current adjustments of the PEPP products offered	PFA would like a clarification of the PEPP provider’s possibility of making changes in the standard terms of agreement applying to the PEPP product – also when it comes to PEPP agreements already concluded. It is common in Denmark that the provider of a pension plan applies standard terms of agreement, which can be adjusted throughout the duration of the agreement. This should also apply to PEPP products.	Noted, unfortunately this is outside of EIOPA’s mandate.

No	Name	Reference	Comment	Processing
			PFA would also like to have an elaboration of the exit possibilities available to a PEPP provider who no longer wants to be a PEPP provider. In this connection, it should be possible to convert existing PEPP products to corresponding national pension products.	
61.	PFA Pension Denmark	The decumulation phase, social pension and benefits, tax, ensuring stable benefits	Should be explicitly stated in the PEPP product. The PEPP KID includes primarily information about the accumulation phase, not the decumulation phase. This is despite the fact that most pension customers do not gain an interest in their pension product until the date of payout is approaching. We propose adding a specific section containing relevant information about the decumulation phase (in Denmark, the Danish FSA has a strong focus on supplying customers with information about how their market rate pension product operates in the decumulation phase). The specific section could include brief information on: • the fact that the regular payout of pension may fluctuate depending on market return, changes in longevity etc. • any possibilities of selecting insurance plans that prevent or limit potential fluctuations in the regular payouts • the fact that the size of pensions will depend on the tax rules in the country in which the customer is liable to tax • the fact that the payout of social pension and benefits may be affected by the payout of pension	
No	**Name**	**Reference**	**Comment**	**Processing**
62.	ANIA – Italian Association of insurers	General comment	ANIA is particularly concerned about two main topics: 1. contents of the consultation; 2. timing of the process. According to the contents of the consultation, ANIA believes that the paper misses many fundamental details, it has in many cases vague and high-principles indication without explanation of underlying methodologies. When the paper shows concrete examples, like about KID mock-ups, EIOPA says they are just illustrative, and in the Open Hearing EIOPA showed other examples adopted for consumer testing. Unclear provisions that are not tested properly would expose providers to a very unquantifiable level of legal/compliance risks during the whole contract period and even	Partially agreed, the overall timeline of the Level 2 regulation required the public exposures of the framework where not all details had been fully defined.

			beyond. Most importantly, many crucial information is currently missing from the consultation paper. The wide range of issues to be dealt with by EIOPA requires substantial works as it touches upon many technical issues that are completely new at EU level (PEPP will be the first European pension product build by Authorities). In particular we refer to eg. KID and PEPP Benefit Statement content (cost and risk indicators, performance scenarios methodology, textual explanations etc.) but also to the risk mitigation techniques, pricing regulation. [Further details and comments about contents of the consultation paper are in the answer to the single questions.] About the timing of the process EIOPA to meet the deadline set by the level I Regulation (15 august 2020), it would have to submit its technical advice to the Board of Supervisors' approval in the end of June. Therefore, there would be less than 4 months between the end of this public consultation and this internal deadline. Based on the current state of EIOPA's proposals, we consider this would not been enough for EIOPA to provide finalized, fully tested and substantiated proposals to the European Commission. Moreover, we regret that EIOPA public consultation and consumer testing exercise are taking place in parallel. It would have been preferable for the consultation paper to consider the results of the testing and be provided with more finalized mock-ups for us to provide meaningful and helpful comments. Furthermore, we would highly recommend always having a 2-steps consumer testing process. Having a first round of testing would allow to fix preliminary proposals based on the feedback received. Then, having a second round of testing would ensure that the new proposals have addressed the shortcomings previously identified and are effectively providing consumers with relevant information. Against this background, we urge EIOPA to take the necessary time to deliver on this challenging task. It is indeed important that the development of the PEPP technical standards should be made in one go to avoid unsuitable products being sold to consumers and to ensure that eligible providers are in a position to implement and comply with the PEPP requirements. PEPP contracts tend to be very long-term contracts.	

			Therefore, stakeholders should be provided with another opportunity to comment on EIOPA's suggested proposals before being presented to the European Commission.	

No	Name	Reference	Comment	Processing
63.	ANIA – Italian Association of insurers	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	ANIA believes working on a mock-up basis is a useful approach to provide ideas to market practitioners but also to ensure that disclosures requirements are workable in practice. It is very important to work on an "end user-friendly basis" to ensure that complex financial information is translated in lay-man's terms and therefore made accessible to all types of potential adherents. However, the consultation paper mock-ups are just illustrative examples and in 24th Feb Open Hearing in Frankfurt, EIOPA said that actually for consumer testing different mockups would have been used. ANIA believes such a process is not efficient. It would have been preferable to preliminarly carry on consumer testing and then to conskider the results of the testing for the consultation paper, in order to permit comments on more finalized mock-ups. Moreover, the preliminary and illustrative mock-ups are not addressing the issue of information overload and burden. Information should focus on quality rather than quantity. Receiving too much information could in fact result in savers not saving for their retirement and/or not making the choices that would best address their demands and needs. Against this background, the following elements deserve particular attention: 1) **Duplication and misleading information should be avoided**. For instance: a) In the PEPP KID mock-ups information on guarantees are misleading and potentially reduntant: the "product type" is a basic PEPP, while in the "what is the product?" section 1, "guarantee/risk mitigation techniques" sub-section 3, it is not clear if the sub-section refers again on "product type" ("Basic PEPP") or to the type of financial protection ("Guarantees", "No guarantees"). In the example, "Guarantees" is flagged, then the PEPP option should be a "Basic PEPP", however "Basic PEPP" is not flagged;	Partially agreed, please see our response to comment number 52. Disagreed, the PEPP Regulation mandates this approach.

			b) In the PEPP Benefit Statement mock-up, information in relation to costs would be disclosed on 3 occasions, first in the current balance section 1, then in the breakdown of costs and last in the Reduction in Wealth indicator in section 3. 2) **ANIA believes some gold plating choices about PEPP requirements must be avoided, even because they don’t seem to add value to consumers**. For instance: a) The PEPP Regulation does not require a benchmark for past performance; b) Moreover, the long-term risk-free rate is a tool available to project investment returns and is not suitable for a retrospective, past performance assessment; c) The PEPP Regulation only requires the 10 years past performance to be disclosed in the KID and the benefit statement. Adding the 5,3 and 1 past performance goes beyond the mandate granted by the level 1 legal text. 3) The disclosure of two performance tables in PEPP information documents (benefit projections and past 10 years), despite being required by the Level I Regulation, would not help consumers understand the product. In contrast, it will result in overloading consumers with further information. Such an overload of figures, obtained through different methodologies (past performance is anchored in actual historical data, while future scenarios show the range of possible outcomes), would only confuse consumers, and not simplify their choice. 4) In order to ensure transparency and comparability of information across PEPPs, ANIA recommends introducing a distinct, standardised and compulsory section indicating whether the PEPP provides coverage against biometric risks. It is important to stress when such protection is provided; Besides, ANIA believes that the illustrative mock-ups require futher clarification/modification: • In the PEPP KID “what is the product section?” suggested narratives, there seems to be a confusion between rules applicable to early redemption and switching: 5 years minimum holding period applies to switching;	Agreed, the requirements have been amended in this regard.
			switching costs are limited to actual costs and capped to 0.5% of current balance; early withdrawal is often limited at national level to hardship situations.	

- In the PEPP KID "what is the product section?" information on retirement benefits should distinguish "fixed term" drawdown payments from "life-long" annuities as different categories;

- We see limited room in the PEPP Benefit Statement mock-up to embrace the possibility that a PEPP could have several sub-accounts with different contribution levels, different taxation, different costs resulting from providers (ie. in case of partnerships). This aspect needs to consider benefit possibly entailed by layering of information;

- In the PEPP KID mock-ups the way costs are being disclosed could be improved reversing the two columns (see the table below): the comprehension of the potential saver should be better due to the fact percentage figures are fixed and independent from any amount, then they are valid for any amount and any adherent (1st column), so the 2nd column actually becomes an example of the impact of costs on a reference nominal amount of 10k accumulated capital, that helps consumer to understand the concrete application of costs.

Cost category	Cost item	Impact of costs on accumulated capital	
		In percentage terms of acc. capital	Euro terms €10,000 per year
Annual costs	Administrative costs	0.1%	€10
	Investment costs: - Costs of safekeeping of assets - Portfolio transaction costs - Other investment costs	0.8%	€80
	Distribution costs	0.05%	€5
Total annual costs		0.95%	€95
One-off costs	Administrative costs in the first year	-	€25
	Distribution costs in the first year	-	€50
	Exit costs when exiting before five years	-	€100

No	Name	Reference	Comment	Processing
64.	ANIA – Italian Association of insurers	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	General Comments on risk/reward holistic approach: ANIA believes that there are still too many elements missing from the draft technical advice, the impact assessment and the mock-ups, and methodologies to set risk and reward disclosures to be shown are not sufficiently set yet. We then strongly urge EIOPA to take the necessary time to further investigate the topic before finalizing its technical advice to the EC. Finally, it is of the utmost importance that the evaluation of PEPP risk and reward is balanced, otherwise EIOPA's proposals seem to indicate that high rewards are possible without risks, while practice shows risks usually trigger rewards. At any rate, ANIA proposes alternative approaches to show risk / return indicator and projected performances (see the final paragraph "Examples on Risk & Return Section"). Comments on risk indicator holistic approach	Agreed, the requirements have been amended to address the issues mentioned.

			ANIA does not support EIOPA's proposals to assess risks at individual level, based on subjective and personal circumstances (page 13 of the CP). The objectives pursued by a saver when purchasing a PEPP will vary greatly. Depending on local and personal circumstances, a PEPP might be purchased either to build up the main source of income in retirement or could more simply be used to top-up other sources of income. Many other factors will also impact individual expectations (standards of living, remaining duration, etc.). Likewise, we really wonder how could it be possible to consider individual expectations when disclosing PEPP risks in a standardized pre contractual information requirement, and we would invite EIOPA reconsidering the suggested heading in the PEPP KID mock-ups "how likely it is that I will reach my retirement objective?". Linking the risk measure with the individual objectives would bring to have as many risk indicator as the number of potential adherents. Instead, the KID must be a standardised document and its objective is primarily to illustrate the features of underlying options. ANIA believes the risk indicator example shown in mock-up A is unclear and contradictory, because it mixes up several factors (financial risks of the underlying investment, likelihood/probability of a certain performance) together with a vague and undefined "retirement objective". As a result, the potential adherent does not understand if he/she is going to choose for an option with high or low risk / reward profile and in respect of what. We believe it is the role of advice - not the one of risk measurement and information disclosure - to assess and ensure that a certain PEPP or PEPP option effectively matches the concrete and effective potential adherent, based on his/her individual needs and circumstances. Once defined the retirement objective of the actual customer, the risk measure will show how much an option is appropriate for this objective, thanks to the advice. Instead, risk assessment must remain objective, i.e. measure possible risk of losses considering the following elements: • the PEPP general objectives as set by the Regulation (ie. nominal capital protection only at the end of the accumulation phase), • the market risk of underlying assets,	

			• the risk mitigating effect of the investment strategy. Besides, some elements presented in the illustrative mock-ups require futher clarification. For instance, since the level of risk should be derived from the stochastic modelling, clarity on the methodology used to quantify risks is necessary in order to be able to comment on the presentation of these risks. Comments on performance/benefit projections holistic approach ANIA recommends that for generating performance scenarios a stochastic economic model should be used. In particular, ANIA believes that in order to reduce burdensome and to make the process effective, the insurance industry experience on existing stochastic model should be exploited, eventually introducing changes to take into consideration PEPP peculiarities. EIOPA's suggested approach considers different elements/inputs to be included in the performance scenarios and benefit projections. In our opinion, the inputs should be as more as possible standardized, to ensure a level playing field between different providers. ANIA suggest that inputs should be set by EIOPA. First of all, EIOPA should set expected return (UFR, already given in the context of Solvency II, plus risk premium) by asset class (see the picture below, in line with one of the ESAs proposal for performance scenarios in the consultation paper about amendments on PRIIPs KID), net of inflation. In fact, inflation is the result of a complex set of factors. Using explicitly inflation to generate assumptions for projections or benchmark is problematic. Instead, the input of expected return inflation-adjusted (i.e. net of inflation) set by EIOPA or by an external body would grant performance in real terms, without requiring explicit inflation management.	

Asset class	Maximum growth rate
Equities	A%
Property	B%
Bonds	C%
Cash	D%
Hybrid/ Complex	E%

The remaining parameters (variance, skew and excess kurtosis of the return distribution) needed for the calculation, instead, would be extrapolated by historical data of the actual underlying option.

In any case, assumptions should be based on clear and transparent methodologies. Moreover, customers should be warned that inflation-adjusted returns and assumprions on wages and salaries are mere hypotheses that could vary during the accumulation/decumulation period.

We welcome EIOPA's suggestion to include a third favourable scenario, to add nuance and balance in performance related disclosures.
In addition, we support adding a specific warning helping savers to understand the benefits of products offering a guarantee as their added value could not always be captured by performance scenarios. The solution investigated in the context of the ongoing PRIIPs review, the "minimum guaranteed scenario", could be a valid option to consider for the PEPP.

Examples on Risk & Return Section

			The option [“investment option name”] has the following risk indicator:  **What does this indicator say to you?** A [“low”/ “moderate”/ “high”] class means that if you invest in this option your accumulated capital will probably have [“low” / “moderate” / “high”] returns but [“low” / “moderate” / “high”] fluctuation (increase or decrease). This means that this [“low”/ “moderate”/ “high”] class option will probably help you to approach your retirement objective more [“slowly” / ”gradually“ / “fastly”], bearing [“lower” / “moderate” / “higher”] risk.	

What is our Age?	What can you expect to receive at [age of retirement] investing 100€ per month?			
	In which market scenario?	una tantum	annual payments	
		Lump sum	Payments stopping after 10 years	Payments for rest of your life
20	Favourable	€ 84.730	€ 8.473	€ 3.920
	Best estimate	€ 74.202	€ 7.420	€ 3.433
	Unfavourable	€ 65.242	€ 6.524	€ 3.018
30	Favourable	€ 61.777	€ 6.178	€ 2.858
	Best estimate	€ 55.695	€ 5.569	€ 2.577
	Unfavourable	€ 50.333	€ 5.033	€ 2.329
40	Favourable	€ 41.998	€ 4.200	€ 1.943
	Best estimate	€ 38.940	€ 3.894	€ 1.802
	Unfavourable	€ 36.149	€ 3.615	€ 1.672
50	Favourable	€ 24.956	€ 2.496	€ 1.155
	Best estimate	€ 23.773	€ 2.377	€ 1.100
	Unfavourable	€ 22.656	€ 2.266	€ 1.048
60	Favourable	€ 10.271	€ 1.027	€ 475
	Best estimate	€ 10.042	€ 1.004	€ 465
	Unfavourable	€ 9.819	€ 982	€ 454

Besides, ANIA believes color series different from “traffic light” would be preferable. The typical “traffic light” green/yellow/red could be interpreted in a way that, for instance, a potential adherent should not choose a “red” class option because too risky, while actually, due to a holistic approach, the option in just higher risk / higher return, then possibly more appropriate for young people.

No	**Name**	**Reference**	**Comment**	**Processing**

65.	ANIA – Italian Association of insurers	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the longterm risk-free interest rate?	The PEPP Regulation requires that all investment options must ensure "sufficient protection for the PEPP saver" (article 42(3)). The Basic PEPP should allow saver "to recoup the capital invested" (article 45(1)) meaning the "aggregate capital contributions after deduction of all fees, charges and expenses that are directly or indirectly border by the savers" (article 2(24)). This capital protection is due at the end of the accumulation phase (article 55). PEPP risk mitigation techniques should ensure that the investment strategy is designed to "build up a stable and adequate individual future retirement income" (article 46(1). Against this background, EIOPA's suggested objectives - as detailed in page 13 of the draft technical advice - go beyond the letter of the PEPP Regulation, since it seems that PEPP should achieve financial objectives regarding inflation, long term risk-free rate and dispersion of the future benefits.	Partially agreed, the requirements on the Basic PEPP are in line with the policy objective of the PEPP Regulation.
66.	ANIA – Italian Association of insurers	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and	ANIA agrees that the assumptions should be somehow standardized at EU level. ANIA recommends EIOPA to investigate the benefits of a forward-looking stochastic economic model applicable to all risk mitigation techniques. A stochastic economic model assessing the risk mitigating effect of different investment techniques by measuring the probability to meet the objective set by the PEPP regulation – ie. the risk of losing the capital invested – could be suited to measuring PEPP risks in a consistent manner given its expected diversity. We believe that the establishment of a stochastic economic model for the PEPP could not only ensure consistency but also measure the probability that the PEPP will meet its objective and better identify risk mitigation strategies and risk/return indicators. It is vital that the stochastic economic model is appropriately calibrated and uses an appropriate range of data. In particular: • recent PRIIPs experience has shown that using only the past 5 years historical data has proven suboptimal to project reliable information on future benefits/performance;	Agreed.

		to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	• further discussions are needed to identify the relevant historical data, so to ensure consistency among data and actual investment options.	
67.	ANIA – Italian Association of insurers	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	ANIA believes the role of national Authorities is indispensable, alongside EIOPA, in view of the supervisory activity, to check and verify the impact of the regulation and for the local application of provisions.	Agreed.

68.	ANIA – Italian Association of insurers	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	<u>Guarantees costs:</u> ANIA supports the exclusion of the cost for the financial guarantee and for the biometric coverage from the fee cap requirement. Guarantees and biometric coverages are not a cost but a distinct sectorial feature which is different in nature in comparison with other risk mitigation techniques. Both "life-cycling" and "pooling and smoothing" leave the risks with the customers (either with customers on an aggregate mutualized basis or with customers individually). A guarantee and/or biometric coverage transfer risks away from the customer to the (insurance) company. The amounts charged for guarantees / biometric coverages are also different and go beyond the costs implied by other risk mitigation techniques. The different nature of guarantees was acknowledged by EU policymakers during the PEPP negotiation and highlighted in the following provisions: • Recital 55: "In drawing up the draft regulatory technical standards, EIOPA should, in particular, consider the long-term nature of the PEPP, the different types of PEPPs and the cost-relevant factors linked to their specific features, so as to ensure a fair and equal treatment of the different PEPP providers and their products while taking into account the character of the Basic PEPP" (…) "Within that framework, in order to ensure that PEPP providers offering a capital guarantee benefit of a level playing field with other providers, EIOPA should duly take into account the structure of costs and fees". • Article 45(3): "EIOPA shall also assess the peculiar nature of the capital protection with specific regard to the capital guarantee". <u>Time horizon of the fee cap</u> The 1% cost cap should consider average yearly costs, i.e. based on a "reduction in yield" approach (excluding cost of the guarantees / biometric coverages), since : i) it would allow to consider costs over the lifetime of the product, irrespective of the timing of the costs and ii) it would be suitable to all products with different costs structures, different timing and therefore embracing the expected PEPP diversity.	Agreed, yet the design of the cost cap is set by the PEPP Regulation.
69.	ANIA – Italian	Q7. Which criteria should be added to	We recommend introducing a uniform high-level principle-based approach for all types of risk mitigation techniques, combined with a holistic stochastic model and eligibility criteria to ensure consumers' interest are well protected.	Agreed.

	Association of insurers	foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	As already mentioned, EIOPA's suggestion to impose to risk-mitigation techniques objectives like inflation and / or long term risk free rate go beyond the letter of the PEPP Regulation, since it seems that PEPP should achieve further financial objectives besides of the recoup of capital invested. <u>Life-cycling strategies</u> Some safeguards are needed to ensure that these life-cycling strategies meet the objective set by the PEPP Regulation ie. allow the PEPP saver to recoup its capital. The possibility to extend the last phase of the life cycle beyond the expected end of the accumulation period, which is especially relevant for life-cycling, should not be introduced as a risk mitigation technique. Such 5 years buffer does not mitigate investment risks and does not shift risk away from the savers. On the contrary, it increases the burden weighing on individual savers, as they will untimely be the one deciding to postpone the pay-out. It is also not in line with the Level 1 Regulation that explicitly requires providing capital protection at retirement (article 55), not 5 years later. Moreover, this corresponds to conditions in relation to the decumulation phase, which are left at the discretion of members states (article 57). Finally, this option would not be consistently available across Europe as it is conditioned to a large extent to national tax, social and labour laws. <u>Pooling and smoothing techniques</u> For these techniques to bring their expected benefits (combining the best of both worlds ie. safety and performance), it is important to maintain a rather flexible framework with requirements and details limited to those areas necessary (such as transparency on allocation mechanism) and to not create unnecessary constraints on how P&S can be implemented by companies. For instance, it is important that the segregation of PEPP assets does not lead to legal ring fencing. Eligible PEPP providers should be able to use their existing general account to enable the launch of the PEPP product on the market, like for Italian market the "Gestioni Separate" as defined in article 2 (1)(c) of *Regolamento ISVAP n. 38/2010*: *"*an investment portfolio managed separately from the other assets held by the insurance company. The return on this portfolio is the basis for calculating the accrual rate of the benefits of related contracts.*"*	

No	Name	Reference	Comment	Processing
			Guarantees vs. solvency rules ANIA advocates for a proper investigation by the EC and EIOPA — as part of the 2020 Solvency II review and PEPP-related discussions — of the mismatch between the current regulatory approach and how insurers are effectively exposed to risks relating to long-term products, so that it is feasible for providers to offer such products which ensure an appropriate level of safety for consumers but at the same time, meeting their long-term needs. Improved Solvency II requirements for long-term liabilities would help insurers to provide safe, long-term savings products, including PEPPs.	
70.	ANIA – Italian Association of insurers	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	Regarding the suggested cost indicator, we are not sure we fully understand EIOPA's suggested Reduction in Wealth (RiW) indicator. The draft advice, the impact assessment and the illustrative PEPP benefit statement mock-up do not provide enough information. In our view, RiW is not a suitable indicator for the following reasons: 1. The suggested indicator is a new one, it has not been tested and has not undergone consumer testing. There is therefore no indication the information provided will be more useful to savers; 2. The consultation paper misquotes the study conducted in Germany by ZEW on cost indicators. The study assessed several cost indicators - including the RIW - but ultimately favoured the RIY as the most appropriate and robust cost indicator. In general, we support the holistic approach for which PEPP costs should not be disclosed in isolation: costs should be put into perspective with the service provided for savers to understand how the product matches their demands and needs and presented together with the projected performance, for savers to understand how costs impact the final benefits. At any rate, ANIA believes that Reduction in Yield (RiY) has proven to be a robust, realistic, comprehensive and accurate cost indicator, which could also be suitable to the PEPP because it takes into account the impact of i) cost structure, ii) cost timing, iii) product duration on the internal rate of return (yield). Furthermore, RiY works equally well for single and regular premium payments and is well understood and experienced by customers. These properties are particularly important to properly represent long term products and products with ongoing premiums, which we understand would correspond to the majority of PEPPs.	Partially agreed, further analyses have been carried out.

71.	ANIA – Italian Association of insurers	Q9. Do you have any other general comments to the proposed approaches?	No comments.	
72.	ANIA – Italian Association of insurers	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	About digital information, ANIA believes it can bring its expected benefits, but there is a need to ensure legal certainty establishing the extent of providers' liabilities when providing information in different layers. Clear indication as to whether PEPP providers are liable for certain/all layers is needed, to avoid legal uncertainty and litigation to arise on the ground that a saver has not effectively received certain information, which was made available in the second of third layer. Therefore, we recommend EIOPA should: • specify in a comprehensive and exhaustive way what should be in the first layer; • specify the minimum information to be disclosed as part of the second and third layers, leaving the flexibility for providers to possible provide additional information; • clarify that providers are only liable for what is explicitly required. Finally we welcome EIOPA's suggested approach to highlight in the first layer the PEPP key features, as well as the benefits entailed by long-term investments and protective features (eg. guarantees and biometric coverage).	Agreed.
73.	ALFI	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	The current review exercise on the PRIIPs KID RTS has raised a lot of concerns from the financial industry. Most of the concerns according to our members are in relation to the increase of complexity of the methods and presentation of the information, misleading figures and an overload of information to consumers. These concerns are also applicable to the PEPP KIDs. We believe that the outcome of the work under the PRIIPs regulation needs to be monitored by all stakeholders, to ensure that the PRIIPs KID and PEPP KID remain aligned on their guiding principles. The PEPP KID layouts will lead to a huge adaption exercise from the IT solutions currently providing KI(I)D services to the financial industry. Maintaining UCITS KIID, PRIIPs KID and PEPP KID will require substantial rework regarding databases, data flows and templates. Also, even though the digitalisation is promoted to enable managing the different PEPP product combinations, the current KI(I)D tools available on the market are currently most of the time not adapted. Members are usually concerned about costs to adapt their current "tool" for providing a solution to PEPP manufacturers. Not many actors will be willing to bear the costs associated therewith.	Agreed.

			As regards the templates we have made comments on a section by section basis: - **Section 1**: no major comments. This is composed of narrative information. This will require the creation of additional fields in the storing Database but no major impact. Small side remark - some information in the section 1 is usually presented in other sections of the PRIIPs KID Ex: Early withdrawal information is usually presented in the section 'How long should I hold this investment' - **Section 2**: template A is clearer to retail investor than template B for the following reasons: Performance scenarios ○ Graph in template B does not clearly seem to bring an added value. Also, it starts from 60 rather than 20-30 which seems surprising. Members found it difficult to understand. ○ Table in template A is much more instinctive. However, this table raise the following concerns/questions: ▪ For each of the age range, the scenarios may vary according to the initial criteria selected by the subscriber to the PEPP (ie. guarantee/No Guarantee/basic PEPP). This may mean multiplication of the calculations and documents ▪ Concerning the risk indicator column, we would reinforce the comment already done by IE on the CP – Q6. The performance scenarios are developed to give consumers an indication of returns. They do not provide exact outcomes. By attaching probabilities to the scenarios, a potentially mis-leading semblance of precision is created. Furthermore, consumers may not be familiar with the underlying models and therefore, they cannot assess the meaning of these probabilities. Past Performance As a general comment, in line with comments done by IE on the CP – Q6, including 2 tables of scenarios (forward looking and past) might possibly overload the consumer with information obtained from different computation methods that may well confuse the savers. ○ Graph in template B does not seem to bring an added value. ○ Table in template A is much more instinctive. However, this table raises the following concerns/questions: ▪ The scenarios may vary according to the initial criteria selected by the subscriber to the PEPP (ie. guarantee/No Guarantee/basic PEPP). This may mean multiplication of the calculations and documents ▪ The table mentions a benchmark and this benchmark is not referred to in the first section, nor any information on this BM is provided anywhere	

No	Name	Reference	Comment	Processing
			- **Section 3:** No comments - **Section 4:** Template B seems clearer for retail investors than template A from a layout point of view. However, both raise the following comments: o Costs are calculated on an accumulated capital of €10K while this amount is not the referenced one for the performance scenario --> Reference amount should be synchronised across section Ex: if monthly contribution€100 is used for the perf scenario, the same should be used in the costs o The costs will be highly dependent on the criteria selected initially (underlying options) - **Section 5**: inconsistency in the minimum age. 18 years is mentioned while all the simulations in the KID are starting at 20. Also, there is a reference to the country of residence which will multiply the number of documents that should be produce by product, with the additional complexity of the local requirements (if any) in terms of minimum duration, minimum/maximum contribution and frequency	
No	**Name**	**Reference**	**Comment**	**Processing**
74.	ALFI	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	We agree that risks and rewards should be treated in a comprehensive manner, but in our view the term holistic should not be interpreted as requiring stochastic calculations (see answer to question 4).	Partially agreed, stochastic modelling seems sensible for a very long-term product.
75.	ALFI	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	Whilst some form of measure of the variability of returns is clearly desirable, the choice of the measure of such variability should be left to the PEPP providers to reflect the structure of the particular PEPP and to prevent overly complex monitoring procedures (see answer to question 4).	Partially agreed, the PEPP requires a high level of standardisation.
No	**Name**	**Reference**	**Comment**	**Processing**
76.	ALFI	Q4. To ensure consistency in the application and comparability of the information on past performance,	The proposed implementing and monitoring rules in respect of past performance, performance scenarios and projections, risk indicators and risk-mitigation techniques place a heavy emphasis on stochastic modelling and the centralised regulation of assumptions and inputs by EIOPA.	Partially agreed, see responses to comments 64 and 65.

		performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	This approach looks like a first step to the introduction of Solvency II – style calculation requirements for each new PEPP. Whilst we agree that potential investors should be informed in an appropriate manner about risks and expected returns, the requirement to use best estimate scenarios (p. 14 §2 of the consultation document) should not be interpreted as requiring detailed statistical calculations for each PEPP, because the cost of preparing such simulations and the compliance processes necessary may well be prohibitive for product providers and prevent access to the market for a large number of potential players. The same approach of over-engineering applies to modelling in respect of the expected outcome of risk mitigation techniques. EIOPA does recognize the cost impact of this approach (p. 54 of the consultation paper), but dismisses its impact (p. 55) We would therefore recommend policy option 3.2., which is limited to setting out principles and general objectioves and avoids the costs involved in implementing and monitoring this fledgling product.	
77.	ALFI	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	No. While we agree that the competent home country NCA needs to receive adequate and meaningful reporting, we do not agree that the same set of detailed information should be provided to host supervisors and EIOPA. As it results clearly from the EU legislative process, a decision was taken to allocate the authorisation and direct supervisory power for PEPPs to the home country NCA. As was broadly discussed during the legislative process, there were good reasons for such allocation of powers - including (but not limited to) a perceived risk of double supervision, which disincentivised potential PEPP providers. Resulting confusion, uncertainty and inconsistencies in case that both NCAs and EIOPA have supervisory powers and the resulting accountable of the PEPP provider to both their home country NCA and EIOPA (and potentially host NCAs). In our view the Level I decision on the competent authority must be respected. We see a risk that an extensive interpretation of EIOPA's competences under Level II may not be aligned with the intentions outlined under Level I of the PEPP Reguulation. As a consequence we invite EIOPA to review carefully the list of criteria triggering EIOPA intervention powers. Indeed, some of the criteria listed in section 6 (of which "*one* or more" are sufficient to allow EIOPA to intervene) should clearly fall within the product supervision powers of the home country NCA (such as, for instance, the use	Partially agreed, the requirement does not cover entirely the potential reporting requirements to the home competent authority.

			of derivatives, risk profile and risk management, underlying assets, use of terminology, whether the provided information is sufficient to allow savers an informed decision, and many more). Many other of the proposed criteria that would allow EIOPA to intervene are by nature *always* fulfilled by a PEPP. For instance, *every* PEPP has, by definition, always a "long-term retirement nature" – meaning that this criterion should not trigger EIOPA to intervene. The same rationale applies to criteria related to PEPP savers: the PEPP is by nature designed for retail clients. The criteria such as skills and abilities, economic situation, financial objectives etc. are covered by the mandatory investment advice which was precisely added to the legislative proposal to ensure retail investors are adequately protected. Hence, these high level criteria should not be relevant to trigger EIOPA intervention powers. If the proposed product intervention powers will result in a second layer of supervision, PEPP providers will not be inclined to offer such a product. This has also been the rationale by EU lawmakers when entrusting NCA's with the direct supervision when voting for the PEPP Regulation to be adopted. We want to stress that EIOPA intervention powers are restricted to events or circumstances with a very significant level of gravity. From article 65 (9) PEPP Regulation we understand that such gravity must be equivalent to a "significant PEPP saver protection concern" or a "threat to the orderly functioning of the financial markets or the stability of whole or part of the financial system of the Union". Clearly EIOPA's intervention powers are not intended to duplicate the micro-supervision - which is attributed to the home country NCAs - but to ensure consistency in case home country NCAs fail to take action or as a security net in the event that there is a truly serious threat to saver protection or the functioning of financial markets or parts of the Union. Accordingly, we take the view that EIOPA and host country NCAs should not receive the same detailed reporting as the home country NCA does. Instead, a short form / summary reporting to EIOPA which targets the specific aspects which EIOPA needs to monitor should be sufficient.	
78.	ALFI	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	ALFI agrees with the comments made by EFAMA.	Please see our response to comment number 11.

No	Name	Reference	Comment	Processing
79.	ALFI	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	ALFI agrees with the comments made by EFAMA on these points.	Please see our response to comment number 11.
80.	ALFI	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?		
81.	ALFI	Q9. Do you have any other general comments to the proposed approaches?		
82.	ALFI	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We believe that creating a digital environment is crucial to ensure that PEPP becomes and remains an attractive product for future generations.	Agreed.
83.	**ANASF** ASSOCIAZIONE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS) ITALY	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	The illustrated information documents are both clear and give effective information to the customer/potential customer. However it will be essential to ensure that the multi-layer approach, when printed on paper, does not create huge, unreadable documents. A remaining issue, not directly linked to the KID and Benefit Statement is that the PEPP remains built of separate national compartments, which is hard to justify or understand for customers and will be likely to prevent portability and to slow adoption of the PEPP.understand, an aspect that will probably prevent portability and slow down the use of PEPP.	Agreed.
84.	**ANASF** ASSOCIAZIO	Q2. Do you agree to approach the areas of risk/ rewards, performance	Yes, we appreciate that these aspects are treated in a holistic way, considering the ultimate purpose of the PEPP, which is to guarantee sufficient income for citizens in the retirement period. A general approach is preferable to an exclusive assessment of all the underlying elements of the PEPP.	Agreed.

	NE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS) ITALY	and risk mitigation for the PEPP in a holistic manner?	We believe it is essential that the guarantees offered to the investor are made explicit: • Guarantees offered by the provider • Guarantees offered by a compensation scheme in case of provider default	
85.	**ANASF** ASSOCIAZIONE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS) ITALY	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?		
86.	**ANASF** ASSOCIAZIONE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS) ITALY	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	It is necessary that the information is comparable. However, it would be much better for EIOPA to identify which inputs and assumptions are needed, but to let product providers make and justify their own assumptions, otherwise the products risk being regulation-driven at the detriment of innovation. For guarantees, see answer to Q2 above.	Agreed.
No	**Name**	**Reference**	**Comment**	**Processing**
87.	**ANASF** ASSOCIAZIO	Q5. Do you agree that PEPP's product supervision requires one set	From the perspective of financial advisors it is important to have as wide a range of offerings as possible available to give citizens more choices.	Agreed.

	NE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS) ITALY	of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	From that perspective, getting a streamlined supervision of PEPP products is likely to improve comparability and make cross-border provision easier, both positive points.	
88.	**ANASF** ASSOCIAZIONE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS) ITALY	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	Yes, product costs should be presented in an 'aggregate' basis. Providing the detail of the commissions and underlying fees and charges (such as those presented in the KID examples) is unnecessary and could be misleading or confusing for savers. We understand that capital guarantees as well as biometric risk are added features and need to be priced accordingly. While aware of the possibility that basic PEPPs can be offered through automated advice, we want to point out that these digital tools should only be used to provide information to citizens and generic advice, which can allow savers, especially those who are less experienced and informed, to understand the need to receive an effective personal recommendations for their own investments. That is to say, a distinction is necessary between financial advice as a complete professional service which effectively meets investors' needs, investment objectives and characteristics, and financial advice as a mere informative functionality. Automated tools may be helpful in the first stage of the advisory process, but in later stages they shall be complemented with a real personalised service and the interaction of a human advisor, especially considering the purpose of the PEPP. This form of semi-automation is more likely to shape the future and meets investors' needs (i.e. investors may input all of their relevant details by means of automated devices, and then they refer to a human advisor). It should also be considered that not only Basic PEPP will be available on the market, but also PEPP which will provide European citizens with additional quality elements with investment options and personalized content. In this case, the provision of the financial advice provided by a financial advisor, aimed at enhancing the quality of the service offered to the investor, will be essential and must be adequately remunerated.	Agreed.

No	Name	Reference	Comment	Processing
89.	**ANASF** ASSOCIAZIONE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS) ITALY	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	Risk-mitigation techniques do evolve over time. They have evolved markedly over the past 40 years, and it is likely that they will be equally different in 40 years. Given the long-term perspective of PEPP saving (both investment and divestment) it is crucial that regulation does not fix the risk-mitigation techniques (which would soon be obolete) but rather set a general framework (such as requiring explicit output-driven approach for example, for different exit scenarios)	Agreed.
90.	**ANASF** ASSOCIAZIONE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS) ITALY	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?		
91.	**ANASF** ASSOCIAZIONE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS)	Q9. Do you have any other general comments to the proposed approaches?		

No	Name	Reference	Comment	Processing
	ITALY			
92.	**ANASF** ASSOCIAZIONE NAZIONALE CONSULENTI FINANZIARI (FINANCIAL ADVISORS) ITALY	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	The Basic PEPP seems particularly well suited for digital distribution, given that the features are very constrained. However, the wider range of solutions expected to be offered by the market will require more individualised advice and service than is likely to be available online. The provision of the financial advice by a financial advisor, who can help the saver to understand his/her pension objectives and how to achieve them, will be essential. See question no. 5	Agreed.
93.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	CBBA-Europe stresses the need of making the information documents as easier as possible for users. Mock-ups seem to represent a good way to pursue such goal. PRIIPs and PEPPs should be considered as different products, considering the long time horizon of the latters. In other words, information documents for PEPPs should differ from PRIIPs: PEPPs' risk and performance of different investment strategies should reflect the long time horizon of these products. CBBA-Europe welcomes the layering approach for digital information proposed by EIOPA in articles xa and xb. Such layered information should draw attention to key warnings, and it should use visual icons, pop-ups, drop-down menus and tick-the box approaches. Mobile devices should obviously represent a channel of transmission of such information, keeping in mind that young people make a large use of them. A consumer testing on the mock-ups is welcome. There are some concerns about drawing a solid BS mock-up when a PEPP operates across several Countries: when several sub-accounts are created at a national level, different taxation regimes, contribution levels and different costs resulting from providers in partnership, might lead to a difficult delivery of the information. Moreover, PEPP KID should show and keep separated both the costs of distribution and the costs of advice. Finally, considering that a great part of costs of advice will be generated before a saver/client will buy a PEPP product, those costs should be classified as "one-off costs".	Agreed.

No	Name	Reference	Comment	Processing
94.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	Yes, we agree with a holistic approach to risk/rewards, performance and risk mitigation. We also agree with adding a favourable scenario to the best estimate and unfavourable scenario. Assumptions based on EIOPA's stochastics are fine, but the methodology is not really disclosed on the paper: neither with reference to the stochastic calculations, nor with reference to the reduction in wealth. As for the past performance, PEPP savers should be clearly reminded that personal pension products are long-term investors; that short-term volatilities of markets would not explain the overall nature of their product; and that, in the lack of that awareness on the long-term nature of PEPPs, savers might draw wrong conclusions (either too optimistic or too pessimistic). For this reason, only a 5 and/or 10 year past performance indication should be shown to them: 1 and 3 year past performance should be skipped.	Agreed.
95.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	Granted that the PEPP Regulation, when referring to guarantees of Basic PEPP on the capital, does not impose an inflation coverage on the top of this, it should be reminded that inflation fluctuates and it cannot be known when the guarantee is issued. Moreover, in the present environment of low interest rates where even the maximum guaranteed interest rates set at national level are lower than the EU countries' inflation, such a commitment of covering inflation might result really challenging. With regards to the link to the long-term risk-free interest rate to measure the risk inherent in PEPP as the dispersion of pension outcomes, CBBA-Europe does not agree with the EIOPA's proposal to use the Ultimate Forward Rate (UFR) as performance benchmark. Indeed, considering again the very low, if not negative interest rates and the general returns of the financial markets, a 3,75% rate (which is the current UFR) appears to be unrealistic, if not impossible. Probably, inflation would be the most suitable performance benchmark.	Agreed.
No	**Name**	**Reference**	**Comment**	**Processing**

96.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	Yes, we agree: EIOPA should set out key assumptions and inputs used for necessary stochastic modelling. However, EIOPA should avoid the mistake of doing this work on its own without the involvement of external experts and praticioners.	Agreed.
97.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	Yes, we agree: the PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA, also in order to assure a common application across the EU member states. CBBA-Europe strongly recommends to EIOPA to use all its powers in order to avoid problems with NCAs that might undermine or limit the activities of PEPPs across the EU. Keeping in mind the (still) existing obstacles raised by their NCAs often encountered by cross-border IORPs in some member states, CBBA-Europe wishes that the same aforementioned dynamics will not occur for PEPPs as well.	Agreed.
98.	Cross Border Benefits Alliance-Europe	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	CBBA-Europe stresses that the concept of "all inclusive" approach, even if it sounds good on the paper, cannot exist in reality. Indeed, a general fee-cap of 1% for the basic PEPP cannot be maintained in all the aspects of this product: the most evident proof of this is that the capital guarantee is considered by EIOPA as a distinct feature, for which the cost should not be included. All that, despite the fact that a capital guaranteed basic PEPP is clearly provided for by the PEPP Regulation.	Partially agreed, please see the response to comment 1.

	(CBBA-Europe) Belgian International non-for profit Association entity (AISBL)		Having said that, CBBA-Europe agrees with the EIOPA that the costs of guarantees should be not included in the said cost cap. For sure, such costs should be well defined and their definition should be the same for all the EU member states. As stated in question 3, granted that inflation will be not (and probably could be not) covered by the said guarantee, a clear information should be given to savers about this matter. Moreover, CBBA-Europe considers that costs of advice, and in particular all the legal duties to be fulfilled by providers and/or distributors to potential savers should be not included in the cost-cap. This opinion is based on the following three reasonings: 1) Even if "mandatory", the cost of advice might be excluded from the Basic PEPP cost cap in the same way as EIOPA considers to exempt the costs of the capital guarantee. Indeed, even if both the advice and capital guarantee are mandatorily provided by the Regulation for the Basic PEPP, no legal obstacles would prevent EIOPA from excuding such advice from the cost-cap (as stated before, the concept of "all inclusive" approach could be not really applicable in reality). 2) The aforementioned duties for the advice provided by the PEPP Regulation in its article 34 are objectively numerous and expensive for providers and/or distributors; and many of them are required to be deliveder to potential savers *before the signature of the PEPP contract,* which means that providers and/or distributors would not even have the security that potential savers will then actually sign the contract after receiving the said advice. Therefore, a 1% cost cap for Basic PEPP, even if attractive, is objectively low. In particular, it should be reminded that: *A)* PEPPs are purely voluntary pension products, and so the promotion of those will represent a necessary (costly) action to be carried out by their providers and/or distributors, bearing in mind that those costs could be not recovered, as these campaigns could also (and obviously) fail. *B)* As commercial products, and unlike social security or occupational pensions, they should legitimately generate some economic gains for their promoters: otherwise, none would promote them, and national pension products, which do not have any fee caps on advice or distribution, will keep being the preferred sold products. Moreover, it is also well-known that some pension providers -even if they are sometimes big companies- do not even promote their pension products on their own, but they mainly (if not exclusively) rely on brokers/distributors' networks. What	

			would be the interest of those brokers/distributors' networks to offer PEPPs if their earnings' margin be lower than national pension products? 3) According to CBBA-Europe, "robo advice" sounds very charming and innovative but it would not work in the initial phase of the launch of the PEPP. Sales online, without any (human) personalized advice, do not seem to be realistic at the moment: average European consumers do not seem ready to buy pension products online, as they would buy books, apps, or trips, instead. Therefore, the traditional face-to-face personal advice will be necessary in the next years. After all, the EU and their member states are facing the opposite (scaring) challenge: that too many Europeans -especially the young generations- are not seriously taking into consideration their future pension income, and so stronger awareness campaigns should be made in order to convince them to save in private pension products. (for more details, please refer to question number 10). CBBA-Europe is also aware the 1% fee-cap requirement should be somehow complied with. The overall cost of the advice might be maintained out of the fee-cap at least for some years. This approach would have the merit of offering the time to PEPP providers to create, commercialize and distribute PEPPs in Europe and to create a real market of such products. After an accurate survey on the market development of PEPPs, EIOPA could still periodically review the said exemption on a later stage, as provided by article 45 paragraph 4 of the PEPP Regulation. If instead EIOPA will decide to not exclude the costs of advice from the Basic PEPP fee cap, it could alternatively separate the distribution costs by identifying an "entry fee", excluded from the fee cap, from the other subsequent regular advice falling under the 1% cap. CBBA-Europe deems that this option would be the fairest one, but also the most impractical considering the difficulties to establish a real cost linked to promotion and distribution, considering the national differences, and the fact that an initial fee might result very expensive to new potential clients as opposed to a cost spread over some years. In conclusion, if the market appetite for providers will be not created, consumers will not get advantage either. Therefore, an initial less favourable framework for consumers might be necessary to convince potential PEPP providers to set it up and sell it (this concept will be deepened in question 11). In any case, costs of guarantees, distribution and/or advice will require the maximum transparent disclosure for consumers, so that clarity and comparison among different products will be possible for potential clients. Here of course the traditional interplay of competition among providers will then have a virtuous role in reducing prices over the time (this concept will be deepened in question 11 as well).	

99.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	According to CBBA-Europe, principle-based risk mitigation techniques seem to represent the most suitable criterion, as opposed to quantitative requirements on asset allocation or other limitations. Considering the evolution of the financial markets, CBBA-Europe thinks that the alternative Basic PEPP providing for a recovery of capital in the phase of decumulation might somehow differ from the insurance based one also with regards to the level of probability of recouping the said capital. A Basic PEPP offering a 99% probability of recouping the capital would not make much sense for consumers who might instead choose an (insured based) 100% capital guaranteed PEPP. A Basic PEPP ensuring a 95% probability, or even a bit lower level, could offer them the perspective of accruing higher returns from the their investments; at the same time, such a rate should be still sufficient to assure savers on the limited risks for their accumulated capital. The preference of a 95% or slightly lower probability takes as reference some studies from OECD and the Bocconi University. The Bocconi study from 2017 indicated a 99% probability recovery, but by taking into consideration a period between January 1988 and November 2017. New updated studies, which skipped a period of higher interest rates and financial bubbles included in the Bocconi study, consider that lower levels of probability recovery would be more appropriate. OECD sources indicate a more likely 95% probability, instead.	Agreed.
100.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	EIOPA should seriously take into consideration the potential challenges deriving from the 1% cost-cap with particular regards to the costs of advice and distribution. According to the feedbacks received from the CBBA members, even the insurance companies stressed that the exemption of costs of advice (and/or distribution) from the fee-cap will represent the most important criterion to decide whether or not to set up and commercialize PEPPs.	Partially agreed, please see the response to comment number 11.

101.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Q9. Do you have any other general comments to the proposed approaches?	No.	
102.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	As indicated in the question 6, according to CBBA-Europe, “robo advice” and on-line distribution sound very charming and innovative but they would not work in the initial phase of the launch of the PEPP. In fact, on-line sales, without any (human) personalized advice, do not seem to be really realistic at the moment: average European consumers do not seem ready to buy pension products online, as they would buy books, apps, or trips, instead. After all, the EU and their member states are facing the opposite (scaring) challenge: that too many Europeans -especially the young generations- are not seriously taking into consideration their future pension income, and so stronger awareness campaigns should be done in order to convince them to save in some other (supplementary and voluntary) pension products: the simple assumption that robo-advice or online distribution be sufficient to overcome such an epocal challenge seems quite naïve. Therefore, the traditional face-to-face personal advice will be necessary in the next years. Such an approach will imply costs and hence the exclusion of those from the fee-cap should be seriously taken again into consideration. On the medium-long term, PEPPs might be sold on-line, especially if tax incentives will be granted and savers will be aware of the need to get an additional pension product on the top of the 1^{st} pillar. But this process will take years. Therefore, the current priority of policy-makers should be to allow the new Pan-European Personal Pension Product to take off under the current circumstances -and hence not relying on online distribution- in order to gain a position aside National Personal Pensions.	Partially agreed.

No	Name	Reference	Comment	Processing
103.	Cross Border Benefits Alliance-Europe (CBBA-Europe) Belgian International non-for profit Association entity (AISBL)	Additional remarks	CBBA-Europe, as an advocacy organization in charge of promoting cross-border and pan-European social protection benefits, is by definition a very strong supporter of the PEPP initiative. The PEPP is the first Pan-European Pension Product directly created by the European Union, and it proves a real political will of the EU to promote cross-border pensions. This initiative is coming in a very critical moment, because cross-border activities of occupational pensions (IORPs) are not really taking off since the introduction of the first IORP directive in 2003. Not even the most recent IORP 2 directive did bring significant legal improvements to encourage cross-border activities of pension funds. For sure, the regulatory framework of the IORP directives, outcome of poor political compromises, resulted to be far from being the most suitable for cross-border and pan-European occupational pensions. Moreover, the implementation of the new IORP directive by some member states is even hampering, if not making impossible, cross-border activities. In some cases, the EU institutions have not been reactive enough to limit or stop some national protectionistic behaviours, which are still trying to discourage companies or market operators to set up their cross-border IORPs. Cross-border pensions are in danger in Europe: in such a scenario, several companies or market operators, even if in principle really attracted to cross-border activities, are not daring to start them because of the aforementioned challenges; and some entities that had initiated cross-border activities are even stopping them. In the light of this, market operators and stakeholders are wondering whether there is still a real political interest and support from the EU to cross-border pensions in Europe (being them IORPs or PEPPs). For CBBA-Europe it is fundamental for the PEPP to work in order to show the added value of cross-border and pan-European pensions. It should be very clear to EIOPA and EU Institutions that cross-border pensions will not take off just because they are allowed on paper. Despite of the real existence of market appetite for such products, if their regulation will be not appropriate, they will just not take off. Some stakeholders and members of CBBA-Europe already expressed strong concerns and pessimism about the future success of the PEPP: political compromises on the PEPP Regulation made without a real understanding of the market -such as the 1% fee-cap, or the last-minute insertion of the mandatory advice/personal recommendation for the Basic PEPP- might represent the reason for the failure of this initiative, unless some remedies will be taken.	Noted.

			As stated before, CBBA-Europe reminds that the very first actors who will have to deal with the PEPP are the potential providers. Unless the EU itself will decide, one day, to create, promote and distribute PEPP products through its own budget, it will be fundamental not to discourage the said providers. We have to remind that providers are for-profit market entities and hence very careful in balancing potential costs and gains before launching new products on the market. A perfect product for consumers on paper, but not realistically attractive for providers, will be never findable on the market, and so not beneficial for consumers. According to the main economic principles on which the EU internal market was created, costs of PEPPs should be reduced by the natural interplay of competition, considering also that a Pan-European Pension Product fully portable and sellable by foreigner providers across the EU member states, will have the unique chance to compete with national pension products, and hence to result more competitive precisely in those Countries where local products are at the moment too expensive. An exogenous determatination of cost caps for the Basic PEPP, decided by the EU legislator, was an intrinsic error and against the spirit of the EU economic foundations. In conclusion, according to CBBA-Europe, the success (or not) of the PEPP will affect the overall future of cross-border private pensions in Europe. The possibe consequences of such an initiative might determine the definitive end of cross-border pensions in Europe. We really hope that EIOPA, aware of such responsibility, will take this message into serious consideration.	
No	**Name**	**Reference**	**Comment**	**Processing**
104.	BIPAR	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	<u>**Key Information Document - PEPP KID**</u> -We notice that both PEPP KID mock-ups fail to mention the “clear indication” referred to in the PEPP Regulation Article 28.3.f: “*that the PEPP provider or PEPP distributor shall provide information detailing any cost of distribution that is not already included in the costs specified above, so as to enable the PEPP saver to understand the cumulative effect that those aggregate costs have on the return of the investment;”* -We believe it is confusing that in both illustrative examples of the PEPP KID, within the section “what is this product”, “guarantee / risk mitigation technique”, the sentence “*inflation is partially covered*” is included. The PEPP Regulation does suggest in recital 54 that: “*Guarantees could also cover the fees and charges and could provide for full or partial coverage of inflation”.* But it should be clear that this is just an option. The way it is currently stated in both examples is neither transparent nor clear. -We agree that the idea to layer the information makes the information documents more accessible to customers in case of online documents (both for the PEPP KID and the PEPP PBS). We also agree however with EIOPA (as	Agreed, the missing information has been added and the requirements further specified in line with the PEPP Regulation.

			stated on p 9 of the consultation paper, at the bottom) that it is important that the same information is provided in online and offline environments. -We believe that the PEPP KID lacks a description of the product mixture and relevant risks for the investor within the PEPP. The performance scenarios show a risk indicator (mainly based on the age of the saver/investor) and a revenue in bad weather, best estimate and good weather scenarios. However, the bad weather scenario does not take into account the situation where the PEPP provider is not able to pay the investor (see mock-up A). Therefore, the investor cannot tell the exact market scenarios, in which the money cannot be refunded. We fear that the lack of understanding on the risk of the product might result in liability situations, since the saver/investor does not understand his/her risks and sees the PEPP as guarantee/savings product. **<u>Pension Benefits Statement - PBS</u>** -In the mock-up PEPP PBS, under: “important information” - “*What can you do to plan better for retirement?*”, it would be useful to (also) refer to contacting an intermediary / adviser to see if the saver can save more for retirement /review his or her other savings and investments. -Also, a place should be foreseen in the PEPP PBS for the possible national tax advantage. This could be mentioned under the PBS’ heading “accumulation”.	
105.	BIPAR	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	Though we agree that EIOPA setting key assumptions and inputs for stochastic modelling would facilitate the comparability of the information, we are afraid that a too rigid frame would inevitably discourage providers to innovate, leading to very standardised products. More in in general, where standardisation may be good for the basic PEPP, it may be an issue for the more individualised PEPP where more flexibility is needed. Besides the Ultimate Forward Rate (UFR) we believe that each provider should set assumptions according to their financial past performances.	Partially agreed, the requirements have been amended along those lines.

No	Name	Reference	Comment	Processing
106.	BIPAR	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	We are of the opinion that, whatever the specificity that would be required for PEPP supervision, there is a need to balance necessity vs. costs. It should indeed be considered that every specific measure for PEPP products would imply I.T. and other investments, which may discourage providers to launch PEPP products. It should furthermore be considered that national authorities are in any event supervising the provider's activity already as a whole.	Agreed.
107.	BIPAR	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	In this respect, we believe it is necessary to consider the following. Advice costs will not necessarily be known at the moment the (precontractual) PEPP KID is being drafted. This is the case for advice costs but also **potentially for some other costs in relation to distribution which are individualizable to the individual client and which will not necessarily be known when the precontractual KID is being drafted.** This concept is reflected in the PEPP Regulation in Article 28.3.f: "*that the PEPP provider or PEPP distributor shall **provide information detailing any cost of distribution that is not already included in the costs specified above**, so as to enable the PEPP saver to understand the cumulative effect that those aggregate costs have on the return of the investment;*" We agree obviously with article 28.3.f that the costs need to be transparent to the saver/ investor. This transparency must be such that it creates a level playing field. We do not agree for advice costs to be part of the types of fees and costs to be accounted for in the cost cap for the Basic PEPP. When there is an intermediary involved in the distribution of a PEPP, it should be considered that both IDD and MiFID II impose compliance rules to these intermediaries, which result in better consumer protection but which also result in obligations and liabilities which have a cost. There are many investors and savers who contact their intermediary /advisor with the intention to have an overall analysis of their patrimonium / financial situation. In a free market, it is up to the consumer in a transparent way to see with his/her intermediary / advisor what kind of services he/she wants. In this process of analysing the patrimonium / financial situation, different kinds of products / solutions are considered, and this is not always specifically about a PEPP or only about a PEPP. Therefore, it is practically impossible to include advice costs in a cost cap.	Partially agreed, the challenges around the costs for initial advice have been acknowledged and they can be amortised during the initial term of the contract.

			A requirement for advice to be within the fixed costs could lead to actually damaging the quality of the advice: the parameters are being set by the cost restriction. It is also important to be aware that "cheap advice" may in the long term not always turn out to be the most appropriate solution for the individual case. **Automated advice** -With regard to advice, we also wish to comment on EIOPA's statement on p 28-29 of the consultation paper: "*The PEPP Regulation thereby explicitly permits a fully digital disclosure and distribution regime, including automated advice without any human intervention, which can support significant gains in cost-efficiency*." This is repeated in the EIOPA costs benefit analysis on p 49, 51 and 52. As we already commented in earlier contributions on the PEPP file to EIOPA, costs should not only be attributed to distribution costs; and each individual distributor, whether or not they are digital, has a completely different set of cost elements. Regulatory or supervisory authorities should not make qualitative/subjective statements about business or distribution models in general terms. We also remind that consultations are ongoing with respect to the areas of risk of Artificial Intelligence and Digitalisation.	
No	**Name**	**Reference**	**Comment**	**Processing**
108.	BIPAR	Q9. Do you have any other general comments to the proposed approaches?	Regarding the review and possible revision of the PEPP KID by the manufacturer (p 21 and following of the consultation paper), we would like to suggest that manufacturers notify distributors of revisions of their KIDs. This is something we have flagged already in the past in the framework of the PRIIPs discussions. This notification duty could be added to proposed article xb.3 which for the moment reads: "*The PEPP provider shall publish the revised PEPP KID on its website*". With regard to the provision of the PEPP KID, we wonder if the wording suggested by EIOPA and inspired by the PRIIPs delegated regulation with regard to the interpretation of "in good time" can really be copy-pasted into the PEPP framework. Taking into account the fact that for PEPP, advice is mandatory, the following wording,	Partially agreed, the requirements are in line with the framework set out by the PEPP Regulation.

No	Name	Reference	Comment	Processing
			taken from PRIIPs, in EIOPA's proposed article xa on p 23 of the consultation document seems not suitable for PEPP: "*where the **advice** or sale is **at the initiative of** the prospective or current PEPP **saver** ….*".	
109.	Christian Lemaire, Amundi, France	Q1. Do you have any comments on the presentation of the **information documents**? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	**We welcome EIOPA working on a mock-up basis** because it is important to ensure that disclosures requirements are easy to understand and access for savers and workable in practice for practionners. EIOPA should take into acccont its consumer testings as they are key to ensure the information documents are effectively informative and user-friendly to PEPP prospective savers and members. **These consumer testings should focus on the "digital first" approach to be "future proof".** **We estimate that PEPP providers would have to handle around 200 pieces of information at precontractual stage. So, EIOPA needs to insure that the final requested information and their presentation focus on quality rather than quantity.** Too much information is killing information. Even if the PEPP KID should replace and adapt the key information document for PRIIPs, there would be different legislations applicable to the PEPP including MIFID. So, EIOPA needs to avoid as much as possible inconsistencies, overlaps and duplications, which will translate into additional costs and inefficiencies for both savers and providers. **These mock-ups require further works:** In the proposed table for the presentation of results in the PEPP Benefit Statement (PBS): - For the best estimate of Lump sum at retirement: Basic PEPPs have the objective to allow the PEPP savers to recoup their capital at the start of the decumulation phase. Without being miseleading, how could we take into account the chosen decumulation option which would extend the glide path with riskier assets beyond the retirement age to target higher income during the decumulation phase? - For the best estimate of monthly payments afer retirement, which assumptions will be used to estimate the annuities in tens of years (EIOPA rate curve, see our comments on the proposed UFR)? How to insure providers would use a common mortality table at least by country to allow comparability for savers? - The costs of distribution and the costs of advice should be shown <u>explicitly and separately</u> in the PEPP KID in order to inform consumers. As a large part of the costs of advice would be before subscription, they would have to be mentioned in the "one-off costs" section.	Agreed.

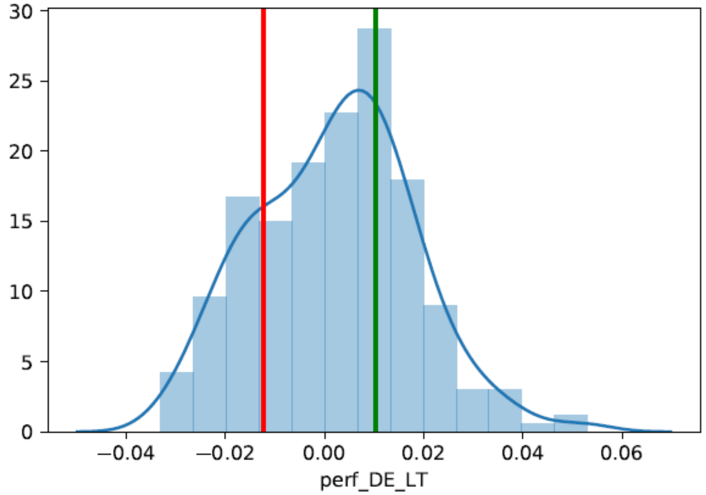
110.	Christian Lemaire, Amundi, France	Q2. Do you agree to approach the areas of **risk/ rewards, performance** and risk mitigation for the PEPP in a holistic manner?	We do not support EIOPA's proposition to present past performance over 10, 5, 3 and 1 years, because of the long-term investment horizon of the PEPP and the need to avoid savers focussing wrongly on short-term volatility. **We recommend to provide this information for the last 5 and / or 10 years**, or in cases where the PEPP has been provided for less than 5 years, to cover the period for which the PEPP has been provided. **A comment should remind savers that the PEPP has a long-term investment horizon, explain that financial markets can be volatile over a short time period and savers should not appreciate the global performance only on last year figures.**	Agreed for the disclosure in the PEPP KID. However, it is important for the PEPP saver to receive more granular information in the PEPP Benefit Statement.
111.	Christian Lemaire, Amundi, France	Q3. Do you **agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate**?	EIOPA proposed to use its Ultimate Forward Rate (UFR) as a proxy for long-term risk-free rate in a performance benchmark. **For 2020, this UFR is calculated at 3.75%, far above what is currently observed in the financial markets.** UFR could be a way of discounting long term liabilities of insurers for regulatory purposes but is not suitable for a PEPP performance benchmark and will be misleading for savers. In addition, this benchmark is not mentioned in the current PEPP regulation. We recommend abandoning it. **In our view, inflation would be the best possible performance benchmark for all providers to really protect the net contributions paid by savers.** **What really counts for savers is the expected LT return at retirement that providers estimate through stochastic models based on commun assumptions to be comparable.**	Agreed.
112.	Christian Lemaire, Amundi, France	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - **do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling**?	The key assumptions and inputs to be used for the performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques based on stochastic modelling should be set by an independent body of experts mandated by EIOPA; which is already working with acadamemics such as OECD. **Before finalizing these key assumptions and inputs, EIOPA should consult in particular practitioners to take into account their comments based on their operational experience in order to end-up with the most workable and less cumbersome possible framework for both providers and savers.**	Partially agreed, please see the response to comment number 11.
No	**Name**	**Reference**	**Comment**	**Processing**
113.	Christian Lemaire,	Q5. Do you agree that PEPP's product supervision requires **one set**	We agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA.	Agreed.

	Amundi, France	**of relevant information to carry out the duties of home and host supervisors as well as of EIOPA**?	**This is particularly important because the PEPP, as an European regulation, will need to be commonly applied by each Member State to avoid any potentential discrepancies, loopholes or uneven playing fields between Member States.** **EIOPA should play its arbitrage role in case of unjustified difficulties between a provider and a NCA to get the PEPP label.**	
114.	Christian Lemaire, Amundi, France	Q6. Do you agree with the **'all inclusive' approach to the Basic PEPP's cost cap**? Do you agree that **the capital guarantee is a distinct feature, which costs should not be included**?	**First of all, by proposing to exclude the costs of guarantee, EIOPA clearly stated that its approach is not "all inclusive".** **On the costs of the guarantee, the methodology to be used to calculate them is not clearly defined yet and should be robust and clear and the same for all EU countries. PEPP providers will have to clearly disclose these costs in details and warn savers that the guarantee doesn't cover inflation.** **EIOPA should consult practitioners and academics to get their comments before finalizing its methodology and disclosure requirements.** **With the obligations of the PEPP Regulation concerning the provision of mandatory personal advice**, PEPP providers and distributors will have to: a) obtain highly personal information from savers (including on their accrued retirement entitlements under Pillar 1 state, Pillar 2 occupational pension plans and other Pillar 3 individual savings for pensions) to specify their retirement-related demands and needs; b) provide savers with a personalized recommendation explaining if and why a particular PEPP would be best for the savers (affordability and suitability), as well as a personalized pension benefit projection not easy to establish as many savers have to gather information and documents from several pension schemes; c) demonstrate to competent authorities on request that natural persons giving advice on PEPPs possess the necessary knowledge and competence to fulfil their obligations under the Regulation; d) propose a contract, which the savers will need to fully understand before agreeing to sign it. All of these obligations will require: citizen to retrieve documents and collect information that most doesn't usually have. As most Member States do not yet have a fully functional pensions dashboard to facilitate, **this will be long and time consuming and not very compatible with a seamless and rapid online subscription,**	Partially agreed, please see the response to comment number 11.

			PEPP providers and / or distributors to assess and analyse all documents and information within the specific situation of each individual saver. **This will require PEPP providers and / or distributors them to commit significant resources implying significant costs.** Based on the recent experience of several large providers having to closed their digital platform for the retail saving markets, **robo-advisors are far for being ready, even when the PEPP will start in 2022, to replace the traditional face-to-face meeting or call for personal advice.** This will require long and costly IT developments and take years before the personal advice required for the PEPP could be efficiently provided through an automated or semi-automated system. As some surveys show, it will also take time before most savers fully trust a robo to make involving and stressful decision for their retirement income! **Therefore, PEPP providers will not be able in the years to come to rely on digital tchnologies as a way to limit the cost of the mandatory personalized advice.** With the French Asset Management Association (AFG), we made a simulation to estimate the maximum fees that a PEPP provider could collect from a citizen saving 5% (an optimistic assumption) of his / her net salary of €25,000 (average salary in 6 Western European countries), with the 1% fee cap. The maximum fees over five years (PEPP saver can switch provider every 5 years) would be ~€200. As the costs of advice in France can be estimated to be at least €135/€150 (+VAT) for simpler file, the PEPP provider would be left with maximum €50-€65 to cover all other costs (manufacturing, administration, distribution and portability costs) over 5 years, i.e. less than €1 per month. **As offering the PEPP under these circumstances would not be economically viable [22], we strongly recommend EIOPA to exclude advice costs.** These advice cosst should obviously be fully disclosed to consumers, so that they can make informed decisions. **This would be the most efficient approach to allow the needed development of the PEPP while ensuring that savers can compare and select the provider delivering the best value for money.**	

[22] Amundi is a member of EFAMA, the European Association of Asset Managers; which gathered more factual evidences on attesting the main arguments presented here above.

No	Name	Reference	Comment	Processing
115.	Christian Lemaire, Amundi, France	Q7. **Which criteria should be added to foster the application and development of superior risk-mitigation techniques**? Which research and learnings should EIOPA consider in its further work?	**For the risk-mitigation techniques, we support EIOPA's "principle-based" approach and its reservations against regulatory restrictions on asset allocation**, whether expressed in quantitative terms (e.g. maximum exposure in risky assets / minimum investment in low risk assets at given moment of the life-cycle strategy) or in limiting access to specific asset classes. **Imposing minimum/maximum thresholds per asset classes at different points in time would limit the needed:** - **Flexibility to design the most appropriate individual glide path for life cycle strategies** - **Innovation for this new product.** **We support the approach proposed by EIOPA whereby the PEPP provider which does not offer a capital guarantee for the Basic PEPP, would ensure that the saver would recoup the capital at the start of the decumulation phase with a minimum high level of probability.** The calculation of this probability should be based on the use of a stochastic model to simulate a distribution of expected investment returns in nominal and if possible in real terms. **The minimum level of probability will obviously depend on the underlying assumptions that EIOPA will propose for all providers.** **As these assumptions are unknown at this stage, it is unfortunately not possible to comment on the 99% and 95% minimum levels of probability proposed by EIOPA.** This being said, we can assume that this 99% figure could relate, inter alia, to the results on the Bocconi study that EFAMA mandated. **Since this study was done at the end of 2017, we discussed with our research team which considers that financial markets conditions have noticeably evolved in the last 2 years and the study should be updated.** Therefore, our research team replicated the Bocconi study by using monthly returns from January 1999 to December 2019 (they consider that the last 20 years are more appropriate than the period from January 1988 to November 2017 used by Bocconi; which included the exceptional build-up of the tech bubble with higher interest rates and bullish equity markets).	Agreed.

			Given the period of abnormal return of Long Term Bonds during the Quantitative Easing, our research team made the hypothesis of a future scenario with lower LT rate returns more in line with current and foreseeable financial market conditions. Figure: German LT Bond  **Based on these updated data, our research team estimated that a probability of 95% should be today more appropriate.** **Therefore, we consider the two proposed levels (99% and 95%) of probability of capital preservation at retirement are too hight and should be slightly lowered.** **In addition, the proposed 99% level is too close to the 100% probability of the “Guaranteed Capital PEPP”. In our view, for the Basic PEPPs, savers should have the opportunity to have a <u>real choice</u> between a formal guarantee with very low returns and a real alternative option with a high probability of capital preservation targeting higher expected returns.** This would also be in line with the EU objective to promote the Capital Market Union with more investment in equities over the long term.	

No	Name	Reference	Comment	Processing
116.	Christian Lemaire, Amundi, France	Q8. Do you have any **comments on the draft Impact Assessment**? Do you have any evidence which could further enrich the draft Impact Assessment?	We agree that tailoring the approach for cost disclosure to the characteristics (long term investment horizon) of the PEPP and therefore deviating from the approach taken under PRIIPs for cost disclosure is appropriate. The European Parliament voted that the costs and fees for the Basic PEPPs should be limited to 1% of the accumulated capital. This figure is a result of a "political compromise" but is unfortunately not based on factual and economic market data. It is important that individual savers get real value money when they pay for fees. It is also important to insure that providers have adequate compensation to develop and market this new product. If not, this could risk having no product on the market or leaving the market to very few large providers, most of them being non-European. In both cases, the final outcome will be in complete contradiction with the initial objectives of the European Commission and Parliament! In particular, the PEPP regulation requires an in-depth personalized recommendation, not only financial advice for the best investment option, but also personal recommendation for the retirement period. This advice was not intended to be mandatory for the Basic PEPP defined as a "safe default investment option" but has been included in the final regulatory text, resulting from another "political compromise". **Therefore, EIOPA should strengthen the impact assessment of the fee cap for the Basic PEPPs by collecting more factual data on the costs of providing personal financial and pension advice.** **We strongly believe that this analysis would lead to the conclusion that the costs of advice should be excluded from the fee cap (see our rationale in Q6 above).**	Agreed.

No	Name	Reference	Comment	Processing
117.	Christian Lemaire, Amundi, France	Q9. Do you have any other **general comments to the proposed approaches**?	We are fully aware that EIOPA has still a lot of work to prepare the draft texts of level 2 measures up to May 2020 before submitting them to its Board of Supervisors in June 2020. As indicated earlier, **before finalizing these draft texts, we strongly recommend EIOPA to consult in particular practitioners to take into account their comments based on their operational experience in order to end-up with the most workable and less cumbersome possible framework for both providers and savers.** We have been closely working with EIOPA since the beginning of the PEPP project. We are looking forward keeping on doing that and willing to assist EIOPA as much as possible.	Agreed.

118.	Christian Lemaire, Amundi, France	Q10. Do you have any **views on the opportunities for PEPP in a digital environment**, for example regarding digital information provision and online distribution?	**The PEPP is a new product, which will compete with current local pension saving products ; which could have no fee cap.** In addition, in most countries, consumer experience shows that tax incentives are key drivers for subscription. The European Commission rightly recommended Member States to grant the PEPP the same tax treatment as for other local individual pension products but some MS could be reluctant in order to protect their domestic market. Moreover, most European citizen are not aware of their need to personally save as early and regularly as possible for their retirement. **Therefore, pure digital recruitment of savers will not be efficient. In fact, the PEPP will require a strong marketing effort based mostly on face-to-face meetings or individual calls by competent and well-trained professionals.** See our other comments in Q6 above.	Agreed.
119.	Christian Lemaire, Amundi, France	Additional questions / remarks	Since the beginning, we support the PEPP project. We share the main objectives of the Parliament, the Commission and EIOPA: this has to be a simple, “safe” and cost effective product bringing real value for money over its long-term horizon to savers. As a responsible provider with a long-standing experience in savings & retirement solutions, **we have the professional obligation to underline that the proposed level 2 framework for the Basic PEPP based on risk mitigation technics** (a probability of capital preservation at 99% with a performance benchmark around 6% in addition to a mandatory personalized advice within a 1% fee cap) **is unfortunately neither workable, nor economicaly viable in the current and foreseeable environment**. As indicated in our answers here above, **we recommend EIOPA to make the necessary adjustments to have a feasible, achievable and viable regulatory level 2 framework for the Basic PEPP based on risk mitigation technics allowing providers to offer long-term expected returns over inflation with a high probability of capital preservation at retirement.** Since more than 5 years, we have been working on pan-European occupational pension schemes based on the IORP 1 Directive of June 2003. Due to the lack or delay of the notification of national transposition measures or their incompleteness for the IORP 2 Directive, the European Commission launched in 2019 an infringement proceeding for non-communication of the national transposition measures against 17 Member States.	Agreed.

			Particulaly because of this situtation that **we deeply regret, this pan-European occupational pension market unfortunately not only has not taken-off 17 years after the publication of IORP 1 but more dramacticaly is moving backwards** because several Member States have added new local specific requirements, which make very difficult, if not nearly impossible, the transfer of a local plan into a cross-border IORP. **Aware of this failure, we have now the fiduciary duty towards European citizen to collectively make the PEPP a success!** If not, Europe will keep-on offering only local pension products without any portability! **Therefore, in the few weeks to come, we need to find together the best compromise with all main stakeholders to end-up with a workable and economicaly viable framework for the future PEPP for the sake of European savers.** **We know that EIOPA really shares the same objectives and thank it in advance for all its endeavour to make the PEPP happen.**	
120.	AEIP	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	The Benefit Statement of the PEPP only describes a single element in the consumers pension entitlements. National pension tracking systems and the European tracking system are being set up to allow consumers to have an overview of their total pension entitlements at retirement including first, second and third pillar pensions. These systems should be used to allow individuals to evaluate their total pension benefits, adopting a holistic multi-tier pension approach. As a starting point the PBS of the PEPP should be integrated in these systems. As an example, the PBS should not propose to use separate pension calculators but refer to these existing systems. Consumers can only make decisions when looking at their global pension benefit including occupational pensions funded through IORPS, insured schemes, book reserves, first pillar and third pillar pensions. In regard to consumer communication, we advocate for the use a layered approach. In that respect, the information on the PBS is too detailed and confusing; in particular, the information on costs on the benefit statement is too detailed. A single number/percentage on costs should be provided on the benefit statement. A consumer who wants to learn more about the individual components of that cost should be referred to another document. We also doubt whether it is possible and feasible to have a standardised layout for all PEPP products. The same goes for PEPP KID; for example, when compared with respective documents at the national level, PEPP KID includes less required information. We also feel that information should not be duplicated. The PBS should not include a summary of PEPP features (except for past performance) but only a reference to PEPP KID. On past performance, it would be helpful to mention that these are annual returns and that they do not refer to a longer period. Finally, the	Agreed, as soon as there are European tracking systems, they can be referred here. Agreed.

No	Name	Reference	Comment	Processing
			monthly payments mentioned on the statement are too vague, not comparable between different statements and could lead to confusion. Importantly, they can be calculated very differently between different PEPPs.	
121.	AEIP	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	We welcome the idea of EIOPA to provide the return assumptions to be used in the stochastic modelling.	Agreed.

No	Name	Reference	Comment	Processing

122.	AEIP	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	Consumers may expect that a PEPP product, being a long-term investment, at least gives a return which exceeds inflation, since only in this case saving for retirement makes scence. In that respect, PEPP providers should be able to show that the outcome of the investment has a high degree of probability providing long-term returns above inflation.	Agreed.
123.	AEIP	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	Developing one set of relevant information taking into account differences in applicable national legislation of the different home and host countries might turn out to be more burdensome. A relevant set of information for EIOPA to carry out its duties could be used to complement the information needed by home and host supervisors. All in all, regulatory and supervisory burden should not be too heavy and complex. When IORPs are concerned, any supervisory practices should at least take into consideration the (minimum) supervisory rules included in the IOPR II Directive, bearing in mind that 'Supervisory methods and practices vary among Member States' (recital 47 in IORP II).	Agreed.

124.	AEIP	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	The concept of the PEPP requires an 'all inclusive' cost cap. Experience will show if the current cost cap allows the development of PEPP products and attract enough providers to have a competitive market. However, if the PEPP providers do not succeed in offering a basic PEPP within the current cost cap, one should question whether these individual pension products with marketing costs, advisory costs and distribution costs are well suited to pension saving compared to collective systems that do not have these costs. Hence, occupational	Noted.

			pensions seem always to be more cost-efficient than third pillar products, as the distribution and marketing channel creates high additional costs. As many occupational pension funds report their costs in a comprehensive manner, there should be a level playing field and fair competition with the PEPPs. In that sense, we should have comprehensive definitions of costs in disclosures. If the PEPP costs are calculated in a different, less comprehensive way, it may seem that PEPPs are more cost efficient than they really are comparatively to occupational pension funds. We therefore have some remarks about the draft RTS and cost definitions for the purpose of disclosure, as set out in the document.	
			There is significant incongruity between the text of the consultation document on the definition of costs to be disclosed in the KID and BS. • ‘Investment costs’ and ‘asset management costs’ seem to be used interchangeably in the descriptive text and the text of the actual draft RTS article xa on page 29. • The consultation document gives descriptions what is to be understood by ‘administration costs’, ‘distribution costs’, ‘cost of safekeeping of assets’, ‘portfolio transaction costs’ and ‘costs of the guarantee’. However, these descriptions do not feature in the text of the draft RTS and therefore has no legal value. There	Agreed, this has been addressed.

			would be merit to include the descriptions as non-exhaustive examples in the recitals. The Level 2 framework should also include common principles for measuring costs disclosure, again to avoid costs from being hidden, resulting in an unlevel playing field between PEPP providers or in comparison with other types of pension providers. These principles should include: • A look-through approach for investments in investment funds. • Matching principle: Revenues and costs are attributed to the accounting period to which they relate, and costs are stated in the accounts for the same period as the related revenues. • No offsetting of costs against revenues • Non-recurrent costs should be incorporated We also have comments on the specific cost items: Asset management costs • There could be a clarification that all internal and external costs to the management of assets should be included. Internal costs include personnel costs and overhead related to asset management.	

No	Name	Reference	Comment	Processing
			External costs include base fees and performance for external asset managers, as well as fees for any other service providers, such as research costs. This could be part of the recitals. <u>Portfolio transaction costs</u> • The focus on costs related to transaction 'fees' seems to exclude the costs of bidoffer spread. In reality this does reduce the value of the assets, so we recommend include mid-spread as costs. • In some jurisdictions there are transaction taxes, which also incur a cost. These should be included. Finally, and in regards to a potential successful implementation of the PEPP, we would like to stress that the cost cap is not comparable with certain national synthetic indicators on costs, such as in Italy.	
125.	AEIP	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	We appreciate that EIOPA lists a wide variety of risk mitigation techniques and guarantees suggesting a flexible framework. The very distinct nature of these techniques and guarantees makes it more complex and difficult to compare the products they are linked to. To apply the risk mitigation techniques and guarantees it is important to ringfence the assets of the PEPP from the other assets of the provider.	Agreed, ring-fencing (segregating legal ownership) may not be necessary, earmarking shall be sufficient for transparency about allocation mechanisms etc.

126.	AEIP	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	No comments	
No	**Name**	**Reference**	**Comment**	**Processing**
127.	AEIP	Q9. Do you have any other general comments to the proposed approaches?	Any existing regulatory framework and implementing technical standards should not create a privileged treatment for PEPP. Thus, from the perspective of occupational pension funds we want a level playing field, which creates fair terms and prevents unlawful competition, while taking into consideration the position and important role of IORPs in several national contexts. The fact that PEPPs can be provided in different national regulatory frameworks can lead to an opaque, unclear and unfair competition due to differentiated rules and varied implementation imposed by the different NCA. A PEPP contract drafted in a country with a weaker regulatory framework could take advantage of this asymmetry. To this end, we would suggest the use of an approach similar to the insurance sector, where foreign providers are allowed to sell their products, but following all the additional regulations of the host state.	Noted.

No	Name	Reference	Comment	Processing
128.	AEIP	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	National pension tracking systems and the European tracking system are being set up to allow consumers an overview of their total pension entitlements at retirement including first, second and third pillar pensions. These systems should be used to allow individuals to evaluate their total pension benefits. As a starting point the PEPP should be integrated in these systems and not being developed a stand along framework.	
No	**Name**	**Reference**	**Comment**	**Processing**
129.	BEUC	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	No comment.	
130.	BEUC	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	BEUC agrees that the summary risk indicator should be adapted based on the time remaining until retirement. We agree that the risk for cohorts further away from retirement may be lower than those closer to retirement. BEUC agrees with EIOPA that there is a need to clearly distinguish between guaranteed and non-guaranteed PEPPs. BEUC agrees that PEPP savers should consider taking on a reasonable amount of investment risk, in particular where they are prepared to save for the longer term. BEUC believes that, overall, life-cycling strategies have better potential to deliver good value for consumers in the long-term, but that products with a guarantee could, for instance, suit consumers closer to retirement age. Most consumers expect to at least recover their investment when they retire. However, integrating guarantees in a personal pension product to recoup the invested capital does not provide any additional security in long term investments, such as pension products. Guarantees tend to raise product complexity and the associated costs with it for consumers. In addition, it requires low yielding investments. The required reduction in short term risk means that a significant portion of the invested sum must be channelled into low risk assets like bonds. These assets yield very little in terms of interest which means that consumers earn almost no interest on their investment. Guarantees may nevertheless remain an option for some specific categories of consumers, for instance, those buying a PEPP when already approaching retirement age.	Agreed.

No	Name	Reference	Comment	Processing
131.	BEUC	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	No comment.	
132.	BEUC	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	No comment.	
133.	BEUC	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	BEUC agrees that it would be useful for National Competent Authorities to receive one harmonised set of information on the PEPP business for the purposes of supervision. We agree with the elements set out by EIOPA under Section 3 of the consultation paper, including (for instance) information related to: the PEPP KID and information on costs and charges and distribution channels. In 2018, BEUC launched a campaign on the Price of Bad Advice (thepriceofbadadvice.eu) highlighting the conflicts of interests that can unduly influence financial advice, calling for a ban on the payment of commissions to financial advisers. To ensure adequate supervision of the advice given to consumers, national supervisory authorities should have access to information related to the level of inducements paid to advisers. In addition, national supervisory authorities should have access to information about the proportion of consumers who were sold the Basic PEPP versus the proportion who were offered an alternative investment option. In our view, the Basic PEPP should be the default option suitable for the majority of consumers, and the product that should be most widely distributed to future PEPP pension savers. According to the PEPP Regulation, the Basic PEPP should be a safe and cost-efficient product that will act as the default investment option for consumers. However, future PEPP providers may offer up to six alternative	Agreed.

No	Name	Reference	Comment	Processing
			investment options to future PEPP savers. BEUC is concerned that as the cost cap will not apply for other six investment options, there could be an incentive for advisers to steer consumers towards other investment options outside the Basic PEPP. National supervisory authorities should have access to information about the inducements offered to advisers and the proportion of consumers who were sold the Basic PEPP to monitor any potential biases that could arise during the advice process. In BEUC's view, the Basic PEPP (representing the default option) should be the most widely distributed product to future PEPP savers.	
134.	BEUC	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	BEUC agrees with the all-inclusive fees proposed by EIOPA, and believes that all direct and indirect costs (including the costs of distribution or advice) should be included in the fee cap. BEUC believes that the 1% fee cap is necessary to ensure that the Basic PEPP will be a cost-efficient product for consumers, and to ensure that fees do not significantly erode returns for investors. A study by our member Forbrugerrådet Tænk shows the high impact that fees can have on investment returns for pension savers. According to the study, a difference of just a single percentage point in the costs of a consumer's pension savings may mean that the average Danish consumer would need to stay for four more years in the labour market in order to be able to attain the same pension level. As regularly demonstrated by Better Finance[23], the net return of most personal pension products in Europe is currently close to zero, or even negative, due to the high impact of fees. BEUC notes that the PEPP Regulation explicitly provides for the possibility of either fully automated or semi-automated advice. Digital distribution of the PEPP product, including automated advice can help to reduce the costs associated with distribution. In addition, the PEPP will lead to the creation of a standardised pan-European pension product, that product providers will be able to easily provide across the EU Single Market, leading to cost efficiencies for future providers. Current market fragmentation in the private pension market limits cross-border sales and prevents pension providers from maximising economies of scale. The PEPP Regulation explicitly states that the PEPP will help to "create economies of scale that should benefit savers." According to the European Commission's Impact Assessment (p. 29), economies of scale should allow for a reduction in the administrative costs for pension providers.	Agreed.

[23] Better Finance, 'Pension Savings: The Real Turn – 2019 Edition', https://betterfinance.eu/wp-content/uploads/Pension-Savings-The-Real-Return-2019-Edition-1.pdf.

No	Name	Reference	Comment	Processing
			BEUC believes it is possible for future PEPP providers to meet the 1% fee cap, and notes that in several countries low-cost pension products are already available to consumers: • For instance, in Norway, our member Forbrukerrådet operates an independent price comparison tool[24] for private pension products offered to consumers in the Norwegian market. According to our members data, there are 68 private pension products available on the Norwegian market. The average fees of the pension products is 0.89%. The lowest fee pension product available to consumers is 0.29%. Approximately 70% of the products available on the Norwegian market fall below 1%. The fees for private pension products in Norway include the cost of the advice provided to the consumer. • In the United Kingdom, Stakeholder Pensions (a similar initiative as the PEPP) are subject to a fee cap set by the UK government. The fee cap for stakeholder pensions is set at 1.5% for the first ten years of the product, and 1% afterwards. • In Ireland, the Standard Personal Retirement Savings Account has a fee cap of 1%.	
135.	BEUC	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	No comment.	
136.	BEUC	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	No comment.	
137.	BEUC	Q9. Do you have any other general comments to the proposed approaches?	The PEPP Regulation states in Article 33(1) that a PEPP providers should provide prospective PEPP savers with the PEPP Key Information Document(s). BEUC believes that a minimum period should be defined by EIOPA in the RTS on 'in good time'. The current proposal leaves it up to the adviser to determine what that timing should be, although within some framing of an assessment by the adviser. More clarity about the minimum period by which an adviser is required to present the KID is necessary from EIOPA.	Partially agreed, the provision has been revised. It is not necessarily appropriate to quantify the time

[24] https://www.finansportalen.no/

No	Name	Reference	Comment	Processing
			In addition, BEUC believes that all future PEPP providers and distributors should be required to publish the PEPP KID on their website. BEUC agrees with EIOPA that KIDs are often located in places where they can be easily overlooked or that it can be very difficult to find KIDs on provider or distributor websites. The future PEPP KID will exist to facilitate comparison for consumers and must be easily accessible and published prominently on the website of PEPP providers and distributors websites. PEPP providers and distributors should be required to prominently publish relevant PEPP KIDs on their website.	period that is adequate for each individual circumstance.
138.	BEUC	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	To facilitate the comparison of PEPP pension products, EIOPA should consider whether there is a possibility to make PEPP Key Information Documents (KIDs) machine-readable or to set up a database and/or central public register to which future PEPP providers would be required to submit key information about the core features of their PEPP products. Having key information available in an accessible and standardised way about future PEPP products could potentially facilitate the creation of comparison tools for future PEPP savers. National Competent Authorities could, for instance, ensure that there is at least one independent comparison tool for PEPPs available in their own country. For instance, under the Payment Accounts Directive (PAD), member states are required to ensure that consumers have access to at least one independent website comparing the fees charged by payment service providers. As another example, in Norway, financial institutions are required under Norwegian law to provide price information to our member Forbrukerrådet in order to run an independent comparison tool (finansportalen.no) that covers life insurance and private pension products. Comparison tools could assist PEPP savers in comparing some of the key features of future PEPP products, including for instance the costs of pension products.	Agreed.
139.	BETTER FINANCE Belgium	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	To begin with, BETTER FINANCE affirms its strong support for the objectives and majority of proposals put forward by EIOPA for the PEPP information documents. We believe that the product offering, in general, has become overly complex and difficult to understand for the individual, non-professional investor.[25] The multiplication of products marketed to layman savers and the inherent “technicalisation” leads to a situation where the investor will either be confused, potentially making poor investment decisions, or will actually be deterred from making the decision due to a lack of understanding. In turn, the detrimental nature of these outcomes speaks for itself, especially in the context of a CMU wishing to better use the available capital of EU citizens.	Partially agreed, the requirements have been further amended and specified.

[25] See also BETTER FINANCE Key Priorities for the next 5 years 2019-2024 https://betterfinance.eu/wp-content/uploads/BETTER-FINANCE-Key-Priorities-2019-2024-with-Infographic.pdf.

No	Name	Reference	Comment	Processing
			Therefore, EIOPA correctly identified the overarching principle that must govern both the substance and the format of the PEPP KID and BS, to: "provide relevant, simple and understandable information that engage consumers to actively plan…". Disclosure for individual, non-professional investors **has increased, but has not improved its quality**. What is more, in the context of sustainable finance, information will further increase. This is why it's paramount to simplify the manner in which information is communicated and attempt to streamline and reduce it so as to not disincentivise the non-professional investor to become active in investment decisions. **Behavioural and cognitive processes of consumers** The BETTER FINANCE Technical Working Paper on PEPP argues why the current mandatory disclosure requirements provide savers with more than enough information, but which does not allow them to "process it and make an optimal" investment decision. This is due to a policy belief that *savers will be able to make the right financial decisions* if providers disclose enough information. The issue stems both from the inability to select important information and the demotivating effect information overload has on non-professional investors.[26] Moreover, most of the information comprised in these disclosure documents is either legal in nature or legal waivers and disclaimers, which are not only "difficult for an ordinary saver to understand and use", but also lack added value for making a financial investment decision. In turn, the demotivating effect makes savers postpone or not take the decision at all. BETTER FINANCE received input from its national member associations suggesting that many savers would like to save more in pillar III products but have no sensible choice due to increased complexity of products. BETTER FINANCE also made the argument against information overload in the response to the PRIIPs Public Consultation,[27] highlighting research showing that information overload:	

[26] N. Gentile, N. Linciano, C. Lucarelli, P. Soccorso, 'Financial Disclosure, Risk Perception and Investment Choice: Evidence from a Consumer Testing Exercise' (2015) CONSOB, page 10, hereinafter "CONSOB CTE", available at: http://www.consob.it/documents/11973/204072/qdf82.pdf/58dc22f8-504b-4bad-9679-610306359dfc

[27] BETTER FINANCE Response to the ESAs JCP (16/10/2019) on amendments to the PRIIPs KID, available here https://betterfinance.eu/publication/better-finance-response-to-the-esas-jcp-16-10-2019-on-amendments-to-the-priips-kid/, hereinafter PRIIPs KID Consultation Response.

No	Name	Reference	Comment	Processing
			• reduces the attention and likelihood of investors to read the KID,[28] • reduces their ability to understand the product,[29] and • reduces the "*perceived usefulness*" of the KID.[30] These elements are pivotal in achieving the stated purpose of the KID, i.e. to enable the saver compare products and make an informed investment decision. As research has shown, non-professional or non-specialised consumers will address the information in the KID and form questions in one of two ways. On one side, consumers will subconsciously approach complex and large bodies of information, triggering cognitive tensions that "reduce the motivation to solve the problem and reach a decision". On the other, consumers will be stimulated to adopt a logical and rational thinking, allowing them to thoroughly examine it, look for context and estimate impacts.[31] Therefore, we argue that the PEPP KID must stimulate question-formation and create ease in looking for context and generating answers. In order to achieve this process, EIOPA must pay attention not only to the amount of information, but also to its clarity. Clarity is achieved by avoiding the use of jargon as much as possible and by avoiding ambiguity, which on most occasions derives from attempting to provide unnecessary explanations. EIOPA correctly identified in the CP that the **information documents must provide simple and understandable information to PEPP savers**, but analysing the mock KID proposals, some modifications might prove necessary. Again, on this occasion, the PEPP Regulation does not ease the process, as Art. 28(3)(d)(iii) requires disclosure of "*appropriate performance scenarios and the assumptions on which they are based*". Requiring disclosure of the assumptions used to model projections is a not the optimal policy choice since: • explaining the methodology behind both stochastic or deterministic models to estimate future returns will create a *Key Information Book*;	

[28] European Commission, 'Impact Assessment Accompanying the document Proposal for a Regulation of the European Parliament and of the Council on Key Information Documents for Investment Products, COM(2012) 352 final, page 18, available here https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012SC0187&from=EN.

[29] European Commission, 'Final Report: Consumer Testing Study of the Possible New Format and Content of for Retail Disclosures of Packaged Retail and Insurance-based Investment Products' (2015) 18, hereinafter "PRIIPs CTE 2015" available https://ec.europa.eu/info/sites/info/files/consumer-testing-study-2015_en.pdf.

[30] Gentile, Linciano, Lucarelli, Soccorso, 'Financial Disclosure, Risk Perception and Investment Choice: Evidence from a Consumer Testing Exercise' (n 6); see also.

[31] See BETTER FINANCE Technical Working Paper 1/2020, p. 63 et seq.

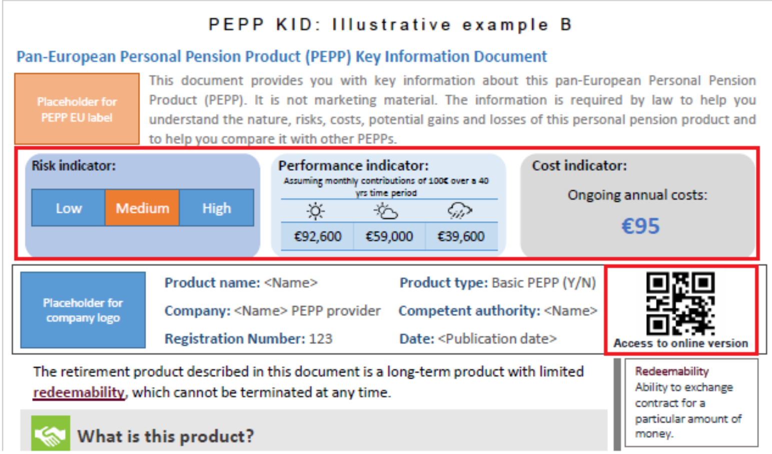
No	Name	Reference	Comment	Processing
			• only disclosing concepts, such as “these estimations are based on one million Monte-Carlo bootstrap simulations” do nothing more than confuse the saver or demotivate him to further search for answers. On the other hand, EIOPA included half a page of explanations on the performance estimation graphs for the PEPP KID illustrative example B (below an excerpt from the **Performance scenario assumptions** The graph above shows the money you could get back at retirement under different scenarios and depending on your respective age, assuming a monthly contribution of €100 until retirement. The scenarios shown illustrate how your outcome at retirement could look like. You can compare them with the scenarios of other PEPP products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of your retirement income varies, and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the product (i.e. whether you will hold it until you have reached retirement age). The unfavourable scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you. *Source*: EIOPA PEPP KID illustrative example B, p. 3 While we clearly observe the regulatory requirement, we believe that the text proposed by EIOPA neither fulfils it, nor does it make it easier for PEPP savers to take away the clear, simple message: the figures are estimated and we are unsure about their accuracy or reliability. Further below we give an example on how this type of disclosure can be enhanced. The first step is for EIOPA to ensure that the PEPP KID and BS is not overloaded with information, including unnecessary legal waivers or disclaimers. The primary purpose of a key pre-contractual disclosure document is to provide informational reliability for the consumer and reduce reliance on third parties to comprehend and take an investment decision.[32] If EIOPA allows inclusion of information that, by essence, requires caveats or warnings, this would: • reduce the added value of the document; • make it unattractive or deterring for the consumer to read.	

[32] See BETTER FINANCE’s remarks in this sense in the response to the PRIIPs KID Consultation Response (n 10).

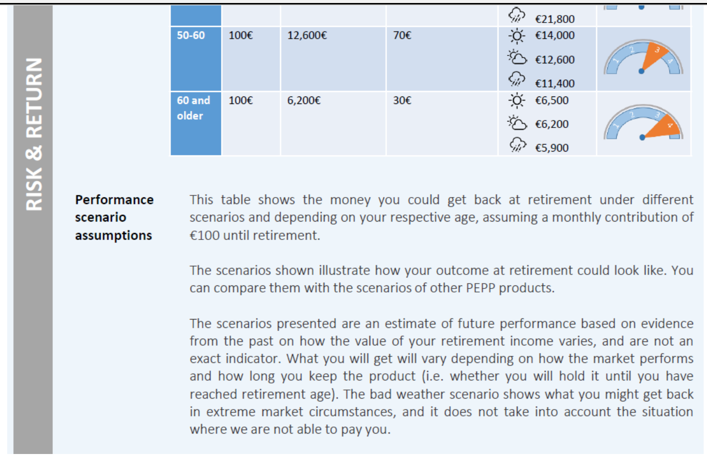
No	Name	Reference	Comment	Processing
			What is more, according to the founding regulation, EIOPA has the obligation to promote simplicity. Unfortunately, regulation does not ease this task, as Art. 28 of the PEPP Regulation has already created – on paper – the longest so far key disclosure document for retail investment products. Both EIOPA's mock PEPP KIDs[33] and BETTER FINANCE's mock PEPP KID[34] are 5-pages long documents, almost twice than the PRIIPs KID and threefold than the UCITS KIID. Information such as applicable law (pt. xiii), consequences for early withdrawal (pt. vii), applicable tax regime (pt. d-v), consequences for stopping contributions (pt. viii), cooling off periods (pt. xiv) or conditions for the modification of the chosen investment options (pt. xi) should not be detailed in a ***key information document***. This is not to be understood that the aforementioned are not important for the saver, but we wish to highlight that they are very specific contractual characteristics – that should be found in the contract or in the Prospectus - and a simple reference would have sufficed, potentially coupled with a mention where to find more information. On the contrary, space and the attention span of the consumer could have been better used to highlight more information on ESG-factoring, target clients, investment strategy and capital protection, or past performance. In this sense, we welcome any suggestion of EIOPA to reduce the presentation and enhance the format or the amount of unnecessary details included in the PEPP KID, which is starting to look rather like a summary prospectus. For instance, illustrative example B contains at the top of the first page a **product dashboard**, which we believe to cumulate all the above mentioned characteristics that enable the optimal cognitive process for the PEPP saver and facilitate digital interaction (QR-code that can be scanned by the majority of smartphones or tablets and directs to the online version).	

[33] See EIOPA webpage (https://eiopa.europa.eu/Pages/News/Consultation-concerning-technical-advice-implementing-and-regulatory-technical-standards-for-the-PEPP.aspx), Illustrative example A (https://eiopa.europa.eu/Publications/Consultations/PEPP%20KID_Illustrative%20example%20A.pdf) and illustrative example B (https://eiopa.europa.eu/Publications/Consultations/PEPP%20KID_Illustrative%20example%20B.pdf).

[34] BETTER FINANCE – https://betterfinance.eu/wp-content/uploads/PEPP-Key-Information-Document-current-requirements.pdf

No	Name	Reference	Comment	Processing
			 *Source*: EIOPA PEPP KID illustrative example B, p. 1 **BETTER FINANCE strongly supports this innovative approach of EIOPA to include the dashboard** and considers the two elements to be essential for reaching the objectives pursued through the PEPP KID. However, a strict reading of the PEPP Regulation (Art. 28) would lead to the conclusion that such an addition would not be possible. **Therefore, we firmly advise policy makers and the European Commission to allow this derogation – by tacit endorsement or explicitly – in the Level 2 provisions.** Another potential solution is to require product manufacturers to compress categories of information in the same bulk of text. For example, the illustrative example A of the PEPP KID provides in section 2:	

No	Name	Reference	Comment	Processing



				€21,800
50-60	100€	12,600€	70€	€14,000 €12,600 €11,400
60 and older	100€	6,200€	30€	€6,500 €6,200 €5,900

RISK & RETURN

Performance scenario assumptions This table shows the money you could get back at retirement under different scenarios and depending on your respective age, assuming a monthly contribution of €100 until retirement.

The scenarios shown illustrate how your outcome at retirement could look like. You can compare them with the scenarios of other PEPP products.

The scenarios presented are an estimate of future performance based on evidence from the past on how the value of your retirement income varies, and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the product (i.e. whether you will hold it until you have reached retirement age). The bad weather scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

Source: EIOPA PEPP KID illustrative example A, page 3

Instead, BETTER FINANCE proposes a simplification of the narrative as follows:

This table shows estimates of the money you could get back at retirement under different scenarios and depending on your respective age, assuming you contribute monthly €100 until retirement. ~~a monthly contribution of 100 until retirement.~~ These estimations are not exact and may differ from the actual outcome. ~~The scenarios shown illustrate how your outcome at retirement could look like. You can compare them with the scenarios of other PEPP products.~~

~~The scenarios presented are an estimate of future performance based on evidence from the past on how the value of your retirement income varies, and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the product (i.e. whether you will hold it until you have reached retirement age).~~ The bad weather scenario ~~shows what you might get back in extreme market circumstances, and it~~ does not take into account the situation where we are not able to pay you.

As indicated above, for reasons of simplicity, EIOPA should not sacrifice warnings that are truly necessary, i.e. the prominent warning that *past performance is not a reliable indicator of future results*.

ESG considerations

BETTER FINANCE welcomes the inclusion of obligations concerning ESG-factoring in the PEPP Regulation. This constitutes a large step ahead as it would be – save other legislative developments – the first pan-EU product which will be explicitly required to take into account and consider risks and long-term implications on ESG factors.

No	Name	Reference	Comment	Processing
			However, the PEPP Regulation's provisions regarding ESG-factoring in the investment process and the disclosure thereof are not well aligned and may lead to confusion among product manufacturers and consumers. EIOPA has the opportunity to temporarily clarify this topic through a proper reading of the Level 1 legislation. Whereas recital (51) states: "*ESG factors should be taken into account. PEPP savings should be invested taking into account ESG factors such as those set out in the Union's climate and sustainability objectives*" Article 41(1)(b) on investment rules for PEPP providers imposes the prudent person rule, which incorporates the obligation to "*take into account risks related to and the potential impact of investment decisions on ESG factors*", which is further circumstantiated through recital (47) explaining that PEPP providers "*should take into explicit consideration the role played by ESG factors in the investment process*". In our view, there is no doubt as to the fact that PEPPs will necessarily be sustainable long-term retirement provision products since Art. 41 demands compliance with ESG factors, rather than merely the *comply or explain* rule. However, Article 2(33) neither contains an organic, nor a functional definition of ESG, but only makes references as to what may be considered ESG. In the current context where a taxonomy or a definition in EU law does not exist, market participants (product manufacturers, issuers, rating agencies) have widely divergent understandings and screening processes of ESG or sustainability factoring.[35] What is worse, on certain occasions many products are green washed.[36] Therefore, EIOPA should take the opportunity to at least harmonise – for the moment – an ESG definition by establishing one of the existing charters as a benchmark. This prescription, or other more ambitious, could be covered by a sunset clause effectively replacing it with any other taxonomy or definition adopted at EU level. In this sense, divergent labelling and risk considerations would be avoided and consumer understanding would be enhanced. However, if a choice were to be made, we prefer illustrative example A.	

[35] See BETTER FINANCE study on sustainable investments (March 2019)

[36] See SCM Direct, 'Greenwashing: Misclassification and Mis-selling of Ethical Investments' (November 2019) https://scmdirect.com/wp-content/uploads/2019/11/SCM-Direct-Greenwashing-Report.pdf.

No	Name	Reference	Comment	Processing
			We agree with EIOPA's approach to the costs section to outline absolute figures and to the use of the accumulated capital as a reference point. **PEPP Benefit Statement** An additional comment dedicated to the PEPP BS is laid down below. Without further going into detail, EIOPA should focus in drafting the RTS on generating a benefit statement that is as similar as possible to the IORP PBS, in order to ensure comparability. Whereas additional elements, as explained above, may organically differentiate the two, we believe that the quality features of the PEPP should be clearly visible for the PEPP saver, in contrast to those of an IORP. We refer EIOPA to our Technical Working Paper on PEPP 1/2020 where we have suggestions on how the PEPP BS could look like.	
140.	BETTER FINANCE Belgium	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	Yes, we also believe that the three product indicators – risk, performance and risk-mitigation – should be consistent with one another, reason for which we welcome the EIOPA holistic approach. In addition, we believe that EIOPA also correctly identified the objectives and long-term nature of the PEPP, which are pivotal for designing the three parameters. Further comments on the holistic approach are provided below (Question 3).	Agreed.
141.	BETTER FINANCE Belgium	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	We agree with EIOPA's assessment that "*the main risk of a pension product is not reaching the individual's retirement objective*", with a single note that the "*potential inability to outperform inflation*" is, in our view, inherent to the main risk indicated above. BETTER FINANCE made this point under Question 4 below as well: the retirement income objective must be considered in real terms, i.e. maintaining the purchasing power of the potential pension. However, while we believe it's just a manner of expression, we slightly disagree with the statement that the riskiness of a pension product can also be measured by it "*not being sufficiently aggressive*" in order to compensate for a lower level of contributions or to reward a higher risk tolerance. Conceptually, those two aforementioned are not a risk *per se*, but potentially a mis-categorisation or mis-assessment of the product's risk/reward profile in comparison with that of the PEPP saver. Put simply, if the product is not "*aggressive enough*" it means that the PEPP saver needs a more aggressive product. We are also aware of criticism brough to EIOPA's formulation that the PEPP's riskiness resides in a potential inability to reach "*an individual's*" pension objective, as it was held by stakeholders that the PEPP is more generalist, whereas individual pension targets are very specific. First, we believe the statement to be accurate as a PEPP may be tailor-made for one individual in particular. Second, pension products generally follow fairly general retirement objectives, under which the individual targets of savers are incorporated. Therefore, if the PEPP does not reach it's stated retirement objective, *qed* it will not reach the savers' individual retirement objectives either.	Agreed.

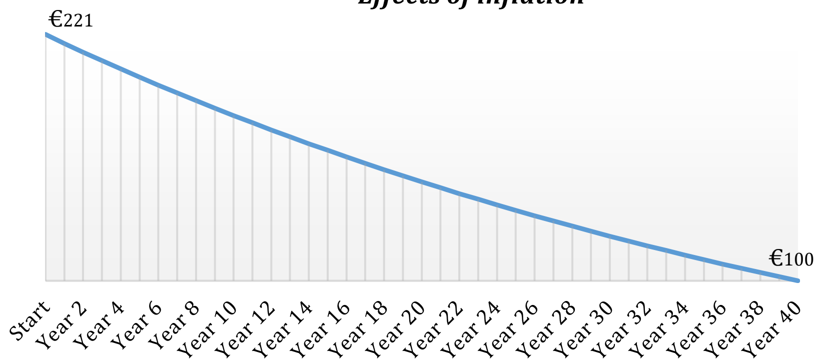
No	Name	Reference	Comment	Processing
			With regard to the building blocks, we agree with the targets identified by EIOPA around which the risk profile of the PEPP will be determined. However, it is not very clear – at this stage – how would the three be intertwined and what the valence of each would be: inflation protection, ultimate forward rate (UFR) and the dispersion of pension benefits. Nevertheless, the safeguards proposed by EIOPA to ensure transparency and an adequate level of investor protection (principle-based re-risking, transparent allocation, earmarking etc.). build to create an EU-quality label for the PEPP. Last, we believe that EIOPA should set the technical frame (limits) for the alternative investment options (in order not to create too risky and too complex products) and allow a degree of flexibility for PEPP providers. Higher standardisation and harmonisation is needed for the basic PEPP, as we indicate under Question 7 below. The investor protection rules (transparency, disclosure, conduct of business and operational rules) should be the same for all PEPPs and reflect a high level of investor protection. In regard to the methodology for return estimations, we support the use of the long-term risk-free rate (UFR) as appropriate.	
142.	BETTER FINANCE Belgium	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	*Past performance* Past performance, in particular for products with a long-term nature, is a key disclosure element for the PEPP. Past performance should be displayed in comparison with a benchmark, in order to shed better light on the returns of the product. Past performance is not a reliable indicator of future results, and this should be prominently stated in the PEPP KID and BS. However, past performance shows the saver whether the product manager achieved its stated investment objectives in the past and allows for comparison with the market. "*it is* [the asset manager's] *skill and judgement in understanding and controlling the risk of failing to achieve the advertised investment objective or the benchmark that has been set the real test by which professional investment managers should be judged*".[37] Past performance, in particular for products with a long-term nature like the one of PEPP, is a key disclosure element. Past performance should be displayed in comparison with an objective benchmark, in order to shed better light on the returns of the product and to allow comparisons with the market. Comparison of past performance with a capital market index chosen by a provider is key to understand the performance and risks. For majority of savers presenting the risk via numbers only is hardly understandable. The comparison with a benchmark will enable them to understand that the value of savings is a subject of volatility over time and to see by how much the value of savings can fluctuate (therefore ideally the presentation should take the form of a graph).	Partially agreed, past performance is considered one important piece of information, which needs to be provided to the consumer before signing up to the PEPP contract. Yet, past performance shall not be shown in the PEPP KID, whereas information about the past performance per investment option needs to be easily accessible on the PEPP provider's website.

[37] Mark St Gilles, Ekaterina Alexeeva, Sally Buxton, *Managing Collective Investment Funds*, (2003) Wiley Publishing, p. 75.

No	Name	Reference	Comment	Processing
			The objective comparator for past performance should only be the corresponding market index benchmark of the product. If the product is not susceptible of having one, then no other performance should be presented. PEPPs should be required to disclose long-term past performance, i.e. minimum 10 years. Long-term, pension savings products span over considerably large investment horizons, i.e. from 20 to 40 years or even more. In such long periods of time, inflation can have a considerable effect on the purchasing power, and savers should be clearly and prominently made aware of this. The risk of adding an additional narrative explanation in the performance section concerning inflation does not compensate the disadvantages of estimating inflation: the PEPP Regulation already requires an enormous amount of legal and technical information to be disclosed in the PEPP KID and BS, which have transformed it into a 5-page document. This information overload will only demotivate the PEPP saver to consult and attempt to understand the KID, making the very purpose of such a document moot. Therefore, any further explanations on inflation should be removed.	For good record keeping and the good understanding of the performance of the PEPP, the PEPP Benefit Statement requires more granular information on the past performance.
			Pension projections To begin with, pension projections must be inflation adjusted to show the PEPP saver his actual purchasing power at retirement. Moreover, the “money illusion”[38] is still not accounted for by many savers. Planning for old age implies a long-term investment horizon, most often of 40 years, in which the effect of inflation can have a significant negative impact on the *real value* of savings. Assuming a modest average inflation rate of 2%,[39] the cumulative effect in four decades will decrease the present value of savings by more than a half (56%).	Agreed.

[38] The term “money illusion” was coined by Fishner in describing that most people think of money in nominal terms (inscripted value) instead of considering its *real* value, i.e. what quantity of goods and services can a certain amount of money buy at a certain date - See Irving Fishner, *The Money Illusion* (2011) Martino Publishing.

[39] Which is below the last 19 years’ average and currently the target of the European Central Bank.

No	Name	Reference	Comment	Processing
			Effects of inflation  *Source*: BETTER FINANCE Position Paper on PEPP Therefore, protecting against inflation is crucial for any retirement planning - inflation-protection is an essential feature of any retirement planning and pension systems. In addition, to this pension projections should also be displayed in net terms, i.e. after deduction of all fees and charges. In relation to future performance scenarios, BETTER FINANCE's proposal is to not further confuse the saver and provide him with accurate, reliable data. Therefore, we advise EIOPA to require publication of simple illustrative scenarios that would make the PEPP saver aware of what he or she could expect during different types of market evolutions – "good weather" (bull markets or upturns), "bad weather" (bear markets or downturns) and "extreme weather" (stress scenario). However, if EIOPA would still choose to present the improbable and highly misleading future performance estimations, BETTER FINANCE suggests to use the moving-block bootstrap method of simulating future pension outcomes. The details of this methodology are laid down in the Technical Working Paper on PEPP (1/2020).[40]	
143.	BETTER FINANCE Belgium	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry	BETTER FINANCE agrees with EIOPA's proposal to require one harmonised set of information to be reported and supervised on by national competent authorities and EIOPA as well. Considering the 1% fee cap for the basic PEPP, which is mandatorily subjected to investment advice, PEPP providers will naturally try to incentivise advisers or savers (through marketing communication) to sell the alternative investment options, which may not always be the most suitable choice for pension savers.	Partially agreed, the reporting agent is the PEPP provider.

[40] http://betterfinance.eu/PEPP-TWP-1-2020/

No	Name	Reference	Comment	Processing
		out the duties of home and host supervisors as well as of EIOPA?	Therefore, BETTER FINANCE believes that EIOPA should include in this set of relevant information also data from distributors or advisers of PEPPs how many times the basic PEPP has been advised to the total number of clients for a certain PEPP and the same information but aggregated at product manufacturer level.	
144.	BETTER FINANCE Belgium	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	**All-inclusive approach - justification** To begin with, we believe that the PEPP Regulation is clear and straightforward in prescribing an "all-inclusive" fee cap of 1% of the assets under management (AuM):[41] "*the costs and fees for the basic PEPP shall not exceed 1 % of the accumulated capital per year*" We believe that EIOPA correctly identified the legal basis and put forward the right proposal mentioning: "*it is suggested to follow an 'all-inclusive' approach that all direct and indirect, one-off (distribution, including advice) or recurring, costs and fees are included in the cost cap*".[42] BETTER FINANCE is aware of EIOPA's concerns following stakeholders' input that the 1% limit should not include distribution costs, meaning selling and advice fees, as it is alleged that PEPP manufacturers will not "be able" to provide a PEPP as such. We believe that this argument is not sufficiently substantiated and hampers the achiement of better performing pension savings products. To begin with, Recital (55) of the PEPP Regulation clearly explains the purpose of Art. 45(2). Then, it continues justifying the provisions of Art. 45(3):[43] EIOPA must take into account the relevant cost-factors related to different types of PEPPs (investment, pension funds, unit-linked or insurance-based etc.), their specific features and structure of costs in order to ensure a level-playing field. As such, the PEPP Regulation only considers the costs inherently linked and particular to different types of retirement provision vehicles, not of distribution, which are common for all PEPPs.	Noted.

[41] Article 45(2) PEPP Regulation.

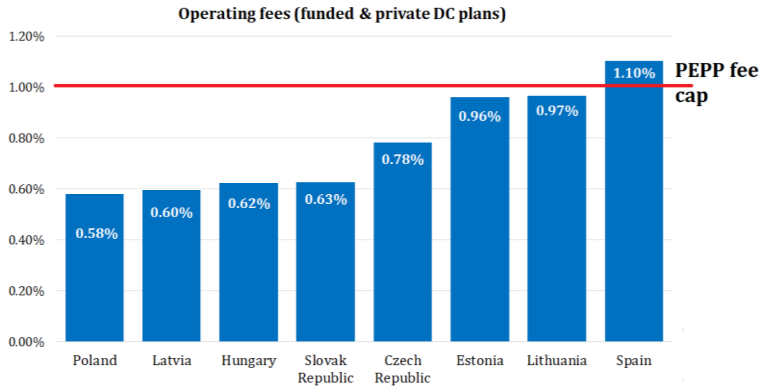
[42] Page 28 of the Consultation Paper.

[43] Art. 45(3) PEPP Regulation provides that "*EIOPA shall develop draft regulatory technical standards specifying the types of costs and fees referred to*" in paragraph (2).

No	Name	Reference	Comment	Processing
			All-inclusive approach - evidence Second, BETTER FINANCE has gathered evidence that many pension plans, both occupational and voluntary individual, in EEA Member States do charge annual total costs below the 1% cap **including the costs of distribution**. To begin with, the OECD Pensions Outlook (2018) shows that an increase of 1% in the cost of the product (from 0.5% to 1.5%) would decrease 25x times the pension "pot" of the saver at retirement (from 1.2% to 30%).[44] Thus, all the more reason to at least attempt in containing the costs for the basic PEPP. Moreover, evidence from the Norwegian Consumer Council on a sample of 68 pension funds shows that 70% of the funds charge a fee lower than 1%, with an average at 0.89%, as described in the table below. <table><tr><th>Percentile</th><th>Fee level</th><th colspan="2">Sample characteristics</th></tr><tr><td>99%</td><td>1.92%</td><td>Number of funds</td><td>68</td></tr><tr><td>90%</td><td>1.26%</td><td>Highest fee</td><td>2.15%</td></tr><tr><td>75%</td><td>1.10%</td><td>Lowest fee</td><td>0.29%</td></tr><tr><td>70%</td><td>1.00%</td><td>Average fee</td><td>0.89%</td></tr><tr><td>50%</td><td>0.85%</td><td>Average risk</td><td>4/5</td></tr><tr><td>25%</td><td>0.56%</td><td>Avg. eq. alloc.</td><td>48.6%</td></tr><tr><td>10%</td><td>0.48%</td><td>Corr. Fee - EQA</td><td>40.4%</td></tr><tr><td>lowest</td><td>0.29%</td><td colspan="2"><u>source</u>: BF own composition based on NCC[45] data</td></tr></table> **Avg. eq. alloc. = average equity allocation (EQA); Corr. Fee – EQA = correlation coefficient between the level of fees and the equity allocation of the fund* The vast majority of pension funds in the above sample charge less than 1%, although the average equity allocation is close to 50% (balanced) and the average risk profile is 4 on a scale from 1 to 5, showing that smaller fees in pension funds does not entail passive investment strategies.	

[44] See OECD Pensions Outlook 2018 (https://www.oecd.org/finance/oecd-pensions-outlook-23137649.htm); see the Final report of the High Level Group of Experts on Pensions, p 82, available here https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupMeetingDoc&docid=38547.

[45] Norwegian Consumer Council: https://fil.forbrukerradet.no/wp-content/uploads/2019/10/rapport-kombinasjonsfond-og-fondsprofiler.pdf.

No	Name	Reference	Comment	Processing
			In the most recent statistics published by OECD,[46] 7 out of 8 EU Member States covered charged operating expenses below the 1% fee cap, the only exception being Spain, which is slightly above.  *Source*: BETTER FINANCE own composition based on OECD data In addition, a 2009 publication reported that the operating costs (administrative and investment) in the Netherlands of about 458 pension plans ranged between 0.2% and 1.3%,[47] but the fact that many of them charged too high fees lead to the closure of over 300 funds over the course of 1992-2004.[48] In the U.S. market, a 2014 report[49] on 401(k) plans reported that the average fee 52 million U.S. contributors paid for their retirement provision was 1%, others noting in this connection that "*anything above 1%* […] *is a rip-off*".[50] Building on the stated reasons in the PEPP Regulation and EIOPA Consultation Paper to create a cost-efficient basic PEPP, coupled with BETTER FINANCE's ample scientific evidence that charging more will only reduce more	

[46] OECD, *Pensions at a Glance 2019*, https://www.oecd-ilibrary.org/social-issues-migration-health/pensions-at-a-glance-2019_b6d3dcfc-en.

[47] Range of 0.1% to 1.2% administrative cost plus 0.1% average investment costs, regardless of number of participants and fund size.

[48] See Jakob A. Bikker, Jan de Dreu, 'Operating Costs of Pension Funds: The Impact of Scale, Governance, and Plan Design' (2009) PEF 8(1) Cambridge University Press 63 – 89.

[49] Jennifer Erickson, David Madland, 'Fixing the Drain on Retirement Savings: How Retirement Fees Are Straining the Middle Class and What We Can Do about Them' (11 April 2014) Center for American Progress, available here https://cdn.americanprogress.org/wp-content/uploads/2014/04/401kFees-brief3.pdf.

[50] Ian Ayres, Quinn Curtis, 'Beyond Diversification: The Pervasive Problem of Excessive Fees and "Dominated Funds" in 401(k) Plans" (2015) 124 The Yale Law Journal 1476-1550, available here https://www.yalelawjournal.org/pdf/c.1476.Ayres-Curtis.1552_6gag5s3c.pdf.

No	Name	Reference	Comment	Processing
			the annual returns,[51] BETTER FINANCE believe that the crucial element of the basic PEPP is to keep in place an **all-inclusive 1% fee cap**. Additionally, there is a **significant risk** that allowing cost categories to be excluded from the fee cap will severely **backfire** against the PEPP project. This is because the basic PEPP label will be sold with the highlight that "**all the costs you pay are…**" but, in reality, savers will find out that they have to pay more. This would cause a severe **erosion of trust** in the PEPP and the incentive or attractiveness for savers to buy this product. **However**, a breakeven solution for EIOPA would be to allow exclusively **independent advice** to be excluded from the fee cap, provided the following: • the product manufacturer does not charge sales or distribution fees; • advice is provided by an independent financial advisor (no inducements, kick-backs, retrocessions applied or any other non-monetary benefit); • the exclusion is clearly stated in the KID due to the fact that the product manufacturer does not charge any cost of sale or distribution, therefore the saver must bear the cost of independent advice. **Cost of the guarantee** In relation to the cost of the guarantee, we believe that the PEPP Level 1 Regulation is sufficiently clear in the sense that it must be included in the 1% fee cap. Moreover, input from our German member association working on the protection of the insured (Bund der Versicherten) indicates that, so far, there are no demonstrated actuarial methodologies to clearly calculate the cost of this financial guarantee. Therefore, we fear that if EIOPA would choose to exclude a cost that cannot be accurately calculated, it will open the door for product manufacturers embedding a capital guarantee to take out much more costs than what would be necessary for this risk-mitigation technique. Second, contrary to the stated objective of ensuring a level-playing field, we believe that excluding the cost of the guarantee would mean an unjustified competitive advantage for life-insurance products – as these are the most common to include such technique – compared to other PEPP providers. The other risk-mitigation techniques may also have "specific" costs to implement them into a financial product, therefore EIOPA cannot justify this exception from the 1% fee cap. Moreover, excluding the cost of the guarantee could create confusion among PEPP savers, following the same rationale for the costs of distribution (selling and advice).	Partially agreed, see response to comment number 11.

[51] BETTER FINANCE, *Study on the Correlation between Cost and Performance in EU Equity Retail Funds* (June 2019), available here: https://betterfinance.eu/wp-content/uploads/BETTER1.pdf.

No	Name	Reference	Comment	Processing
			Last, this would add "insult to injury" as we have seen that the *capital guarantee* for the basic PEPP, is excluding accumulated fees and the very negative impact of inflation on the real value of "capital", so actually PEPP savers will be misleadingly informed that they must pay an **extra cost** for the basic PEPP for a very **fractional** capital guarantee– as the situation currently stands. In addition, the prominent warning requested by BETTER FINANCE that this "capital guarantee" does not cover accumulated fees and the negative impact of inflation is not foreseen in the PEPP KID, thus violating an essential information rule of MiFID. As a consequence, **EIOPA must keep all costs, including the cost of the guarantee, in the 1% fee cap.** **However,** again BETTER FINANCE proposes a breakeven solution for EIOPA. Pursuant to the justification laid down by EIOPA in the consultation paper, additional features to the basic PEPP (i.e. additional to the minimum required by the Level 1 Regulation) should be paid by the PEPP saver. Indeed, the Level 1 Regulation imposes, in respect to a financial guarantee, a minimum of the nominal net accumulated contributions to be protected. This is embedded in the basic PEPP and falls into the 1% fee cap. The level playing field is ensured as all manufacturers must incorporate a certain risk mitigation technique, which bears its own costs. If the PEPP manufacturer decides to accord a higher level of protection for savers within the capital guarantee, e.g. real net guarantee or nominal gross guarantee etc., EIOPA could allow **exclusion only of *the difference*** between what is minimally required by the Level 1 Regulation and what is accorded extra. This should not be construed as a loophole for PEPP providers to unload costs into the "extra guarantee feature" and circumvent regulation. EIOPA must carefully assess this exception. Moreover, such an exception requires particular attention, supervision and enforcement from EIOPA and national competent authorities as, indicated above, if the cost of a financial guarantee cannot be precisely calculated, then it would prove difficult to calculate the difference of the two. However, such academic finding should not pre-empt innovation and product manufacturers which do find a viable solution to calculatge the cost of the guarantee. Moreover, we believe that this exception would incentivise PEPP providers to go above the minimum required by Level 1 Regulation in this time of low interest rates. Below we give a very simplistic example of how this exception could work in practice: assuming two providers who offer a basic PEPP with a capital guarantee: • provider A: o management fee: 0.5% o sales & distribution cost: 0.25%	

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<li style="list-style:none">
cost of the minimum guarantee (nominal net accumulated contributions): 0.25%;
<u>total cost: 1%</u>
provider B:
management fee: 0.5%
sales & distribution cost: 0.25%
real gross guarantee: 0.5%
minimum guarantee: 0.25%
additional guarantee: 0.25%
total cost: 1% + 0.25%

We believe that Article 45(1), read on conjunction with recital (53) of the PEPP Regulation, justifies such an exception.

We reiterate the sensitivity of the topic: this exception should be allowed only for the PEPP providers who go above the minimum required for the basic PEPP; the costs must be clearly distinguished and <u>justified</u> (direct relationship / causality with the extra guarantee only) and under no circumstance should be construed as a mean to exclude more or entirely the cost of the guarantee from the basic PEPP (or any other cost for that purpose).
</td><td></td></tr>
<tr><td>145.</td><td>BETTER FINANCE

Belgium</td><td>Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?</td><td>To begin with, BETTER FINANCE welcomes the idea and mandatory inclusion of the basic investment option into the design of all PEPPs as this would ensure more accessibility and participation of European savers to these products. The basic PEPP, previously named the default investment option,[52] is a feature that normally complements lack of knowledge, of understanding, indecision or passiveness of savers in making an investment choice and, therefore, should receive closer supervision from policy makers and supervisors.[53] BETTER FINANCE, as well as other international organisations,[54] acknowledge that any retirement provision system (and plans, in our case) require a default investment option, as long as it is safe and intelligible.</td><td>Noted, the requirement for a Basic PEPP is set out by the PEPP Regulation.</td></tr>
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[52] In the proposal text published by the European Commission and the one after the European Parliament's position in first reading.

[53] See EIOPA, 'Survey of EU Practice on Default Investment Options" (EIOPA-BoS-13/033, 8 April 2013).

[54] Since an auto- or mandatory-enrolment pension system cannot properly function if savers who do not make an active choice are not assigned to any asset allocation and investment strategy; see Jakub Fodor, Juraj Cenker, 'Default Strategy in Pension Saving: The Case of Slovakia' (March 2019) Institut Financnej Politiky, 11.

No	Name	Reference	Comment	Processing
			Default investment options (hereinafter DIOs) have appeared as a consumer protection response to automatic or mandatory enrolment pension systems for those savers who couldn't or didn't want to actively engage and take an investment decision. As a result, the DIO supplements the passive behaviour of the saver either for organic purposes[55] or to ensure that all savers will benefit from an investment strategy at retirement. Academic and specialised literature is rich in showing most of pension plans participants are "by default" assigned to a DIO as they may not have the "*willingness or ability to engage*" in making an active choice[56] and that this system substantially increases participation rates in pension plans.[57] However, most of the examples – and articles analysing them – concern *occupational pension plans*, where automatic enrolment may stem from the employer or by virtue of law. On the other side, pillar III products – alias *individual **voluntary** products* – are usually subscribed by savers after seeking advice[58]. However, as highlighted above and following input from one of our German member organisations (Bund der Verischerten), there can be many savers who wish to save, but have difficulties to choose the investment option,[59] for whom the DIO may be the bridge between passiveness and additional retirement savings.[60] We believe this short justification creates a bridge for the following proposal regarding *the need for standardisation of the basic PEPP*. **Need for standardisation of the basic PEPP**	

[55] As academic literature shows, and BETTER FINANCE's national members' experience as well, many savers wish to save for retirement, but do not do so for reasons that sum up in the inability to choose.

[56] See EIOPA, 'Survey of EU Practice on Default Investment Options" (EIOPA-BoS-13/033, 8 April 2013); see Theo Nijman, Niku Määtänen, Andres Vork, Magnus Piirits, Robert. I Gal, 'Analysis of the Standardized Pan European Personal Pension (PEPP) Product and its Impact in Four European Countries: the Netherlands, Estonia, Finland and Hungary' (2015) NETSPAR Academic Series, DP 11/2015-064; John Beshears, James J. Choi, David Laibson, Brigitte C. Madrian, 'The Importance of Default Options for Retirement Savings Outcomes: Evidence from the United States' (February 2006) NBER Working Paper No. 12009; Julie R. Agnew, Lisa R. Szykman, 'Asset Allocation and Information Overload: The Influence of Information Display, Asset Choice, and Investor Experience' (2005) 6(2) Journal of Behavioural Finance 57-70; Gur Huberman, Wei Jiang, 'Offering vs. Choice in 401(k) Plans: Equity Exposure and Number of Funds' (September 2004) Columbia Business School, Finance and Economics Division; see Pablo Antolin, Stephanie Payet, Juan Yermo, 'Assessing Default Investment Strategies in Defined Contribution Plans' (2010) 1 OECD Journal: Financial Market Trends, https://www.oecd.org/finance/financial-markets/46010869.pdf; see Heinz P. Rudolph, 'Building Voluntary Pension Schemes in Emerging Economies' (2016) World Bank Group, Policy Research Working Paper WPS 779.

[57] More or less all the precited authors (n 39), in particular: ; Beshears, Choi, Laibson, Madrian, 'The Importance of Default Options for Retirement Savings Outcomes: Evidence from the United States' (n 39); Jeffrey W. Clark, Jean A. Young, 'Automatic enrolment: The Power of the Default' (March 2018) Vanguard Research.

[58] Exceptionally not, but it depends whether the product manufacturer allows to buy a product in absence of advice or contrary to the advice received.

[59] See potential reasons in Agnes, Szykman, 'Asset Allocation and Information Overload: The Influence of Information Display, Asset Choice, and Investor Experience' (n 32) above.

[60] Of course, the DIO may be actually the preferred and chosen option by an active saver.

No	Name	Reference	Comment	Processing
			Pension savings are pivotal both for the individual and for society as building an adequate income at retirement is essential.[61] We understand the argument that a defensive DIO may not provide the highest of returns, but it would allow most PEPP savers achieve the purpose of the PEPP: "*to recoup the capital*". At the same time, we acknowledge the need to protect the PEPP savers that do not have a loss absorption ability (risk averse, low-income etc.), reason for which we do not exclude the conservative approach. We argue that EIOPA should standardise the risk-reward profile, through the Level 2 measures, for the basic PEPP for all product manufacturers. Naturally, the default investment option (the "basic PEPP") is one **out of a finite number** of options to which the saver is <u>automatically assigned</u> **in absence of active choice** – as we indicated above. Therefore, the basic PEPP should have a neutral investment strategy (**a one-size-fits-all**), but it can only be neutral in comparison with the alternative investment options. If law would allow all PEPP providers to self-define their basic PEPP, the basic PEPP will no longer be basic, but a **PEPP-provider-specific-basic PEPP**. As such, we fear this may create confusion for individual, non-professional investors, and also lead to mis-selling on certain hypotheses. EIOPA should seek to harmonise the investment targets or risk-reward profile for the basic PEPP, while also allowing PEPP manufacturers a certain degree – although limited – of flexibility in their designs. To mitigate the chances of abnormal dispersions of risk tolerances among European individual investors, EIOPA could allow for a small range/interval of risk-reward profiles, such as from lowest to balanced, or from 1/7 to 3/7, which could also start from a higher level at the beginning of the investment horizon and gradually decrease towards retirement or maturity date. As we mentioned in the BETTER FINANCE Position Paper on PEPP L2 measures, the risk-reward profile – whether defensive, balanced, or dynamic – must take into account the long-term nature of the product, the years left until retirement, and the type and duration of the drawdown choice. For ease of reference, we insert below an excerpt concerning the summary risk indicator and the financial risk tables. " *The summary risk indicator (Article 28(3), letter d, point i) should present two tables that allow the retail investor to understand the different risk applicable to the asset classes contained in the portfolio (Table 12) and to understand the overall risk profile of the product (Table 11).* *The financial risk table (Table 12) should show the two key risk components for the retail investor: (i) the probability of loss; and (ii) the magnitude of loss, in a simple scale: very low, low, low-medium, medium, medium-high, and very high. The two dimensions of the financial risk table should take into account the risk of loss in* ***real terms****, that is taking into account inflation. The risk and reward indicator should be also bi-dimensional. The first dimension should consider the aggregate risk profile of the product (in accordance with the financial risk table – on the vertical*	

[61] See also EIOPA 'Survey of EU Practice on Default Investment Options" (n 32) acknowledging the need to supervise and regulate the DIO.

No	Name	Reference	Comment	Processing

*axis) and the **remaining investment horizon** (horizontal axis). The temporal dimension should not end with the target retirement date and should continue in the decumulation phase with the number of years equal to the life expectancy calculated by Eurostat for the country of domicile of the PEPP provider.*

Table 11. Risk and reward indicator

Risk and return level	Years to retirement >30 years	Years to retirement >20 years	Years to retirement >10 years	Years after retirement >10 years	Years after retirement >20 years	Years after retirement 25 years
1						
2						2
3				3	3	
4			4			
5		5				
6	6					
7						

<u>Source</u>: BETTER FINANCE own composition

The two tables should be presented on the left-hand side of the section, and on the right-hand side the narrative explanation and the prominent warning should be disclosed.

***Table 12. Financial risk table** (risk of loss in real terms)*

		Holding period		
Asset class / product	***Risk***	***1 year***	***5 year***	***+ 20 years***
MMF	***MAG***	***Low***	***Medium***	***High***
(money market fund)	***PROB***	***Very high***	***Very high***	***Very High***
Large* equity	***MAG***	***High***	***High***	***High***
Index fund	***PROB***	***High***	***High***	***Low to medium***

No	Name	Reference	Comment	Processing
			Source: BETTER FINANCE own composition; ***Note:*** *MAG = Magnitude of the risk (Low: <10%; Medium <50%; High >50%); PROB= Probability of the risk happening (Low: <10% probability; Medium <50%; High >50%; Very high = 100%); *large index: hundreds or thousands of index components (as opposed to "narrow" indices such as Stoxx 50 or DAX 30 which are not representing the equity markets, and are not diversified into mid and small caps).* *The summary risk indicator should contain the following warning, depending on the type of product:* *"**Warning! This product does not provide a capital guarantee, nor inflation protection** [if applicable]**. A low level of risk does not mean no risk at all. Investments are subject to market fluctuations and financial loss and you may lose all your money.**".* *For long-term savings products, there should be an objective (for example: achieving a certain level of savings, certain level of individual replacement ratio or certain level of down payments – monthly benefits after reaching a defined age). For this objective, the risk is defined as a probability of not achieving this target (objective). Therefore, the risk mitigation techniques should reflect both risks – short-term investment risk as well as long-term risk of not achieving the objective (target). This approach then provides absolutely new and more transparent way of understanding the long-term savings (investment-based or insurance-based) products. "* In terms of legal feasibility, whereas the PEPP Regulation (Level 1) does not prescribe one risk-mitigation technique in particular to be used, we believe that EIOPA can establish through the RTS a risk-reward profile or a range in which PEPP providers can design their risk-mitigation techniques. Our experience, backed by academic research, shows that most regulated DIOs invest mainly or only in bonds, which is neither efficient, nor particularly safe. Therefore, EIOPA should consider regulating a DIO harmonised strategy based on the risk-mitigation techniques that is optimal for savers. For instance, it could prescribe the maximum allocation in equities for life-cycling, it could require a certain return guarantee or a certain smoothing level. **Standardisation approach for the basic PEPP** We believe that a DIO should have a conservative or defensive approach. In essence, since the DIO is primarily designed for all savers who do not take an active decision regardless of the risk tolerance, it should therefore embody a risk-reward profile that represents a "one-size-fits-all" approach. Whereas the "safest" way not to cause detriment to the financial interests of savers by exposing to too much risk is to choose a defensive strategy and asset allocation – creating the lowest risk of loss, both from a probability and magnitude standpoint – we believe that a two-stage approach could also be useful.	

No	Name	Reference	Comment	Processing
			International experience can also be useful. An older article (2006) noted that the U.S. Department of Labour prescribed three “qualified default investment alternatives”, i.e.: a conservative, a balanced and a life-cycle fund.[62] While the author noted that the conservative fund was more likely to outperform the life-cycle one, it exposed the pension plan participant to loss at the near-retirement stages of his investments, making the life-cycle approach more suitable from a hedging and yield point of view. Although an OECD publication argued that there wasn’t a “*one-size-fits-all*” DIO – view which is shared by several authors - since all researched investment strategies have merits in different simulations, numerous publications propose the *life-cycling strategy* as the optimal one,[63] although there is still a lot of discussion on the actual composition of it. However, BETTER FINANCE’s research on life-cycle pension funds demonstrated that allocation styles (initial composition, glidepath and final composition) vary very much in the European market. The initial allocation by asset class varied from 50% to 100% in equities and in the portfolio re-adjustment rate, portraying very different strategies. Some funds use formulas for de risking (e.g. initial equity allocation of 75% and a 1.25% reduction in favour of bonds over the next 40 years), some “block” the allocations for a certain period etc.[64] Therefore, the French model we describe below (*good practices sub-section*) is all the more relevant and useful in this context as it would help streamline and harmonise – to an extent that still encourages competition, diversity, but accommodates the requirement of simplicity – allocation strategies for life cycle pension products. Some authors argue that the de-risking strategy in a life-cycle plan should be modelled by the age of the pension saver,[65] while others claim that the optimal strategy depends on the type of pay-outs.[66] A study done in 2019 for the Slovak Ministry of Finance shows that, while “*piecewise and dynamic strategies are almost always dominated by other strategies*”, stepwise life-cycling strategies are safer but yield lower expected returns than	

[62] Gaobo Pang, Mark J. Warshawsky, ‘Default Investment Options in Defined Contribution Plans: A Quantitative Comparison’ (2008) 13(4) Pensions: An International Journal 221 – 226, available at: https://link.springer.com/article/10.1057/pm.2008.23.

[63] see Ibid; see Antolin, Payet, Yermo, ‘Assessing Default Investment Strategies in Defined Contribution Plans’ (n 32) 2; see Andrea Berardi, Claudio Tebaldi, Fabio Trojani, ‘Consumer Protection and the Design of the Default Investment Option of a Pan-European Personal Pension Product’ (1 February 2018) SDA BocconiSchool of Management by the European Fund and Asset Management Association, page v; see Jakub Fodor, Juraj Cenker, ‘Default Strategy in Pension Saving: The Case of Slovakia’ (March 2019) Institut Financnej Politiky, 11;

[64] See BETTER FINANCE, ‘Dispersion of Risk Mitigation Techniques in Life Cycle Pensions’ (June 2018), available here: https://betterfinance.eu/wp-content/uploads/The_Dispersion_of_Risk_Mitigation_Techniques_in_Life_Cycle_Pensions_-_Final_Report_-_130618.pdf.

[65] See Fodor, Cenker, ‘Default Strategy in Pension Saving: The Case of Slovakia’ (n 46), 12.

[66] See Antolin, Payet, Yermo, ‘Assessing Default Investment Strategies in Defined Contribution Plans’ (n 32) 24.

No	Name	Reference	Comment	Processing
			accumulation ones.[67] The same authors found that the **cost of a guarantee** for positive nominal returns would be only 4 basis points.[68] However, we contend that the de-risking strategy must take into account the type and duration of the pay out, as a lump sum drawdown will require a different strategy from an annuity strategy which could allow a fairly higher risk-capital allocation near-retirement in consideration of the longer investment horizon. In our view, the risk-reward profile of the DIO should be placed in the lower part of a risk scale (lowest to balanced, or 1/7 to 3/7 etc.). *Good practices example* We wish to highlight a real-case example of risk-reward profile standardisation for the default investment option. In France, following the legislative reform for personal pension products (PPPs) last year (2019), the disclosure and methodology for PPPs' risk-mitigation techniques have been standardised in order to be clear and intelligible for pension savers, and streamline investment strategies. This standardisation is limited, so as to allow diversity for pension product providers, as it requires minimum asset allocations by the type of strategy. As such, if the saver does not make a choice with regards to the pension products' investment profile (which can be either prudent, balanced, or dynamic), by law he will be automatically assigned to the "balanced pension horizon", which represents a low risk investment profile. Moreover, this investment profile is prescribed under a few, simple, investment and de-risking guidelines. Therefore, the capital of the pension plan must be allocated into "low-risk" (as defined in EU rules) assets: • At least 20%, starting 10 years before the planned retirement date; • At least 50%, starting 5 years before the planned retirement date; • At least 70%, starting 2 years before the planned retirement date.[69] We call on EIOPA not to suffer from the "NIH" ("not invented here " syndrome, like the Level I EU Authorities, who barely looked at the much simpler, efficient, effective, and time-tested US solution (the IRA – Individual Retirement Account) when drafting the PEEP Regulation. Also we wish to remind EIOPA about its legal mandate to promote simplicity , and not to "reinvent the wheel", by drawing upon other PPP experiences that work and that are intelligible by pension savers the French PPP	

[67] Fodor, Cenker, 'Default Strategy in Pension Saving: The Case of Slovakia' (n 46), 18.

[68] Ibid, 24.

[69] Arrêté du MINISTÈRE DE L'ÉCONOMIE ET DES FINANCES du 7 août 2019 portant application de la réforme de l'épargne retraite, Journal Officiel de la Republique Française, 11 août 2019.

No	Name	Reference	Comment	Processing
			risk mitigation technique takes 3 lines of text in the rules: Can EIOPA live up to its simplicity mandate and do as well ?	
146.	BETTER FINANCE Belgium	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	BETTER FINANCE strongly supports policy option 2 for the cost section by which the summary cost indicator would be expressed as a Reduction-in-Wealth (otherwise referred to as *Wealth-Reduction-Ratio,* WRR, *or Charges Ratio*, CR). More information on the design and methodology of the RiW can be found in the BETTER FINANCE Technical Working Paper on PEPP (1/2020).[70]	Agreed.
147.	BETTER FINANCE Belgium	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	**Layering and use of digital tools** The response to Question 1 above highlights most guidelines in formatting and presenting the PEPP KID. Layering is another very important element in reaching the stated purpose of the KID. Explained at large in the Technical Working Paper (1/2020), layering of information using digital tools should achieve several functions: • include more complex information; • structure information from simpler to more technical; • combine text with graphical or other interactive features; • incorporate other digital features. EIOPA rightly identifies in the Consultation Paper that the format, content and presentation of PEPP information documents must be approached “digital first”. BETTER FINANCE agrees with the EIOPA proposals on layering the information and making the document interactive online. This would also facilitate online distribution of the PEPP, which would significantly reduce costs and stimulate competition. An easily implementable solution to address this strong deterrent for savers is to make use of digital tools and layering techniques (both for the KID and PBS) so as to maintain focus or engagement of consumers with information documents and also stimulate the cognitive process of question making. As indicated in the Technical Working Paper (1/2020), an online or digital presentation of the PEPP KID, BS and distribution of the product would allow use of digital tools that ease comprehension for the non-professional investor. Moreover, layering allows to still include complex information – such as abstract, legal or technical details – at the lower levels and “substantially improve information efficiency”.	Noted.

[70] BETTER FINANCE Technical Working Paper PEPP Series 1/2020.

No	Name	Reference	Comment	Processing
			EIOPA Central Registry In this context, BETTER FINANCE firmly supports EIOPA in developing machine readable PEPP KIDs and BSs and make full use of the powers granted in Art. 13 PEPP Regulation in order to create a public-authority online web-comparison tool for individual, non-professional investors. As the requirements of Art. 13(1) are minimum requirements, EIOPA should take a supplementary step in asking national competent authorities to either communicate the information documents to the central registry or share the data therein to EIOPA for this purpose. As BETTER FINANCE highlighted on many occasions and was included in the EU Commission's Mid-Term Review of the CMU Action Plan, consumers of financial services and products are in dire need of objective and comprehensive web comparison tools for investment products. Although these platforms exist at national levels, they differ in scope of coverage or information provided. This also the subject of an ongoing action taken by the EU Commission in order to stimulate the emergence of such platforms. We firmly believe that an online, publicly available registry provided by EIOPA that includes machine-extracted information from PEPP KIDs and BSs would bring a significant improvement in terms of consumer awareness, engagement and comprehension of PEPPs. Moreover, by essence, it would stimulate non-professional savers in their active decision-making process for retirement provision planning and add an additional incentive to trust. This registry would also be available through the websites of ESMA and EBA, and national competent authorities, in order to promote accessibility and outreach to savers across the EU. **Online distribution through robo-platforms** Currently, key information documents are distributed in a document-format, which may still be unattractive for savers. We agree with the analysis of the Consultation Paper that: "*the PEPP Regulation thereby explicitly permit fully digital disclosure and distribution regime, including automated investment advice without any human intervention, which can support significant gains in cost-efficiency*". BETTER FINANCE wishes to highlight the extensive evidence gathered from the *Robo-advice papers* in which we analyse the conditions and divergences in algorithms from start-ups and small automated or semi-automated investment advice platforms. This recurring research activity on robo-advisors confirms for several years in a row that, while for some providers of such services it may not be clear whether the platforms fully comply with the suitability and personalisation requirements of MiFID II framework, the market is mature enough in order to take on this task. In particular, we refer to the already established platforms of large asset managers, which are an important addition to the smaller and newer "start-ups" providing robot-advice and execution.	

No	Name	Reference	Comment	Processing
			As the target clients for the PEPP will be the younger generations first, the demand for digital and online distribution may be higher and may therefore be an incentive for them to consider investing in a PEPP. Younger customers are likely to favour conducting business in this manner in and especially on cross-border situations. Therefore, **online distribution of PEPP is possible**, and already a standard practice in several European markets depending on local rules and customs. However, online distribution of PEPP will indeed need to consider the mandatory duty of advice applicable to the Basic PEPP as required by the PEPP regulation. We reiterate the findings of the 2019 Robo-advice report[71] in this sense: "*Considering the low quality and suitability of some algorithms assessed in this report and the increasing use of Artificial Intelligence in our the society, in particular in the financial sector, we believe that legislators should propose a legislative framework that ensure that Automated-Decision Making (ADM) systems as Robo-advisors are accountable, transparent and fair for EU citizens. The algorithms of Robo-advisors need to be developed on criteria that comply with the legislation (MiFID II) with regards to the investment advice process, in order to ensure a harmonised, minimum level of quality.*" BETTER FINANCE has developed a mock digitally enabled PEPP KID, available here: http://betterfinance.eu/pepp-kid-mock-up-proposal/.	
148.	BETTER FINANCE Belgium	General comment	BETTER FINANCE welcomes the excellent and concise exposé of EIOPA on the current challenges and trends in the occupational and private retirement savings market in Europe. We believe that EIOPA managed to adequately capture inefficiencies of the current retirement provision systems, which set up the proper premise for discussion. In particular, BETTER FINANCE is very happy to see that EIOPA acknowledged: • the shift from Defined-Benefit (DB) to Defined-Contribution (DC) pension plans, in particular unit-linked products; • that savers are passive, unaware or procrastinate with regard to the necessity to save for pension; • that savers do not take into account the risk of outliving one's savings; and, finally, • that the PEPP must be a simple, cost-efficient and profitable product. Although we feel that circumstantiation in certain areas identified by EIOPA is still needed, and that some other important factors may have been overseen, our view is that the discussion starts well and it seems to be headed in the right direction.	Noted.

[71] BETTER FINANCE, 'Robo-Advice: A Look Under the Hood 2.0' (November 2019) https://betterfinance.eu/wp-content/uploads/Robo-Advice-Report-2019-FINAL.pdf.

No	Name	Reference	Comment	Processing
			However, the process of developing the Regulatory Technical Standards (RTS) must keep up with the good start and must always bear in mind: • the context in which the PEPP appeared; • the desired purpose and results of the PEPP. It is also very important for policy makers, and for EIOPA as well, to understand that PEPP will not be the silver bullet in addressing the pensions gap and “time bomb”, nor will it be for restoring trust in capital markets and increasing financial literacy. EIOPA notes that the PEPP – through transparency, standardisation, benchmarking etc. – is the solution “[t]*o overcome consumer’s behavioural tendencies, such as procrastination, loss aversion or simplistic <<rules of thumb>>*”. However, these behavioural tendencies stem from two interlinked factors: • first, a general low level of financial literacy and education among the adult population in the EU;[72] and • second, complexity and opacity of personal pension products, and complexity and jargon that characterises the vast majority of information communicated to non-professional investors. Financial education is fundamental for proper investment choices as the main imbalance – and lacking feature of efficient and frictionless markets – is *information asymmetry*, in these cases the very basics of finance and investments. Increasing financial literacy and savers’ ability to make financial judgments by themselves – thus reducing “blind trust” in investment advice - should be a primary and long-term priority for policy makers at national and EU level, including EIOPA. However, for the PEPP this is an adjacent purpose. While we believe that behavioural patterns cannot be corrected through the PEPP only, the product and its information documents are key instruments for: • drawing attention and visualising the effects of certain product or market characteristics, such as the long-term effect of costs or of inflation; and • restoring trust and incentives to reorient capital from low- or negative yielding products to more performing choices. In fact, EIOPA mentions in the Consultation Paper[73]	

[72] BETTER FINANCE own computations based on The Atlas, ‘Global Financial Literacy Ranking’ (2016) https://theatlas.com/charts/VJDhtA8Xe.

[73] EIOPA Consultation Paper on the proposed approaches and considerations for EIOPA’s Technical Advice, Implementing and Regulatory Technical Standards under Regulation (EU) 2019/1238 on a Pan-European Personal Pensions Product (PEPP), hereinafter “CP”.

No	Name	Reference	Comment	Processing
			How much challenging is it for an individual to understand the effects of inflation and the risk of outliving one's savings […] *which are the two main exposures a pension solution has to tackle?* However, until informational asymmetry and bargaining power is addressed through independent financial education and advice resulting in higher financial literacy, the PEPP – as EIOPA correctly noted – has "*an obligation to deliver on the inherent promise to consumers*". To deliver on that promise, the PEPP must: i. **be different**: there is a whole market for pillar III (or II, sometimes) retirement provision vehicles; there is another whole market for investment products that can be used for retirement; ii. **be simple**(r): from information documents to product characteristics, the savers should be able to understand the PEPP; iii. **be trustworthy**: savers must believe that the PEPP will alleviate the risk of poverty at retirement; iv. **be comparable**: other pension products, including the IORP, should be easily comparable for the saver; v. **be efficient**: the costs and risk mitigation techniques should deliver an optimal results for pension savers, and the investment options should allow for investing in simple securities, such as shares and bonds. vi. **be tax efficient**: uniform rules on taxation, preferably through incentives, should have been agreed for the PEPP. Unfortunately, some of these key characteristics of the PEPP have already been compromised at Level 1, such as the misleading "capital guarantee"[74] or the possibility to construct a simple portfolio based on plain vanilla shares or bonds as an alternative investment option. Happily, some other key features can be achieved through these Level 2 RTS prepared by EIOPA. For this reason, BETTER FINANCE welcomes the EIOPA proposals and this public consultation. As a bottom line, inflation, costs, risks and sustainability of investments are fundamental to a rational pension savings decision. More information can be found in BETTER FINANCE's PEPP Position Paper[75] or on our dedicated webpage.[76] Our main positions,	

[74] See BETTER FINANCE's simple video on the PEPP Capital Guarantee Scam: https://www.youtube.com/watch?v=XyABzZd5-0I.

[75] https://betterfinance.eu/publication/pepp-position-paper/.

[76] http://betterfinance.eu/pepp/

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			expressed herein and in the Position Paper, are further substantiated in the PEPP Technical Working Document.[77]	
149.	BETTER FINANCE Belgium	Additional comment 1: Investment rules	BETTER FINANCE would like to point out that, as part of the CMU Action Plan, EU citizens need to be brought closer to capital markets and need to be allowed to invest in simple, plain vanilla transferable securities, such as equities or bonds. Although the Level 1 Regulation on PEPP does not preclude it, we believe it would have much added value if EIOPA would clearly specify that individual, non-professional investors should be allowed to choose the investments of their PEPPs and allocate at least a certain part of their capital into transferable securities.	Noted, this is specified in the PEPP Regulation.
150.	BETTER FINANCE Belgium	Additional comment 2: Freedom of payouts	It should be specified that PEPP savers have the freedom to choose what type of pay-outs they wish to receive during the accumulation phase. One of BETTER FINANCE's German member association, the German Federation of the Insured, highlighted that in many life-insurance contracts (designed for retirement provision), savers are forced to take annuities, which are intransparently and incorrectly calculated to the detriment of the client. In addition, we suggest either higher standardisation or closer supervision on the mortality tables (life expectancy at retirement) for annuities in order to ensure that PEPP savers are not unduly cut a share of their benefits. EIOPA should specify that all pay-outs are possible and that PEPP providers cannot limit or impose a fee or a penalty on types of pay-outs. At the same time, when PEPP providers recommend or offer pay-outs under the form of monthly payments or annuities, they should observe conduct of business requirements developed by EIOPA with regards to longevity assumptions, whilst prominently disclosing that after a certain period of time – *ceteris paribus* – the saver may run out of capital in his PEPP product.	Noted, this is specified in the PEPP Regulation.
151.	Czech National Bank	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	We consider version B of the PEPP KID to be more suitable than version A. We have three comments on the two presented mock-up PEPP KIDs. 1. In the section "What is this product?" (between the points "Purpose" and "Target customer"), there is no space (or reference to a separate document) for providing information about the product's underlying assets, which is an important piece of information that may affect savers' decision-making about the final placement of their funds and is also important for comparing individual products with one another. The provision of information on the product's underlying assets is required by Article 28(3)(c), point i, of the PEPP regulation. 2. In the section "What are the risks and what could I get in return?", there is no mention of inflation. None of the versions states whether the estimated returns are given in nominal or real terms. We propose adding this information, preferably in real terms, to the PEPP KID.	Agreed.

[77] http://betterfinance.eu/PEPP-TWP-1-2020/

No	Name	Reference	Comment	Processing
			3. There is no information on the identity of the depositary for products for which this information is relevant (especially for PEPPs established as investment funds). We propose adding this information to the PEPP KID. For other products, we propose informing savers that the provider is not obliged to appoint the depositary for the given product type. We have the following comment on the presented PEPP Benefit Statement example. The section "Evolution and Costs" only contains the information "If applicable: Subsidies/taxes" without it being clear to what the taxation applies – whether the contributions paid in, returns or other income, or possibly the annuities or benefits paid out to PEPP savers at decumulation. We propose adding more detailed information on the extent of taxation, specifically what the information on taxation relates to – whether PEPP contributions, returns or pay-outs.	
152.	Czech National Bank	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	We think it appropriate to base the approach on the methodology provided for in the PRIIPs regulation and adjust it for the specific needs of the PEPP. Although the PRIIPs regulation is not the subject of this public consultation, in this context we propose – in order to ensure consistency of legal rules in the PRIIPs and PEPP regulations and comparability of the information provided – considering a possible amendment of the PRIIPs regulation so that the same approach is also applied to products which would otherwise be governed by both the PRIIPs and PEPP regulations.	Agreed.
153.	Czech National Bank	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	In general, we agree with the use of the ultimate forward rate. However, experience in insurance shows that the rate is not easy to determine. In particular, the availability of the relevant data and the weight of data for individual periods must be considered in the calculation of the ultimate forward rate.	Agreed, yet eventually the annual rate of inflation works more consistently with the holistic risk assessment.
154.	Czech National Bank	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used	We agree that it is necessary to achieve maximum comparability of the individual products. However, we believe that uniform setting of the key input assumptions for modelling and calculations by EIOPA could limit the responsibility of the individual PEPP providers, which is undesirable. Moreover, we think that it is necessary to set input assumptions for the individual markets or individual currencies. This would impose a significant burden on EIOPA and require close cooperation with individual national competent authorities and other European financial market supervisory authorities. We believe that the necessary degree of harmonisation may be achieved by means of a common EIOPA methodology, which individual national competent authorities may supplement with the specific needs of the individual markets and currencies.	Agreed.

No	Name	Reference	Comment	Processing
		for the necessary stochastic modelling?		
155.	Czech National Bank	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	In general, we agree with the creation of only one harmonised set of information. However, it should supplement the existing reports on PEPP providers' activities and financial products. It will be necessary to proceed in accordance with the existing sector-specific legal regulations in the collection of the data. We agree with EIOPA's approach not to burden the obliged entities with double reporting. Nevertheless, the reporting deadlines in the consultation paper are proposed in accordance with the current reporting timeline provided for in Directive 2009/138/ES on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). However, the reporting requirements go beyond the insurance sector, as entities eligible to offer PEPPs include credit institutions, management companies and investment firms from the perspective of reporting frameworks in addition to insurance companies. The reporting timeline for these entities is different from that in Solvency II. The proposed reporting timeline for PEPP providers under Solvency II does not burden insurance companies with double reporting, but disregards the burden placed on the other entities eligible to provide PEPPs. Respect for the timelines under which PEPP providers other than insurance companies report to national competent authorities may also necessitate a change in the proposed timeline under which national authorities report to EIOPA. As regards the frequency of PEPP providers' reporting, the consultation paper proposes using the principle of proportionality without specifying details. We recommend that the application of the principle of proportionality in a delegated act be described in more detail. In any case, the standardisation of reporting will require cooperation with other ESAs (EBA and ESMA). We also point out that the proposed XBRL format is a voluntary format among potential PEPP providers at present and some of them may not be able to use it. As regards the reporting by individual PEPP providers to national competent authorities, the choice of the XBRL format for the submission of data must be left to the decision of the national competent authority.	Agreed.
156.	Czech National Bank	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	We consider the approach where the costs of a guarantee on the capital invested are not included in the limit on the Basic PEPP's costs and fees set in Article 45 of the PEPP regulation as legally contentious, as we infer from the definition of the Basic PEPP (a safe product representing the default investment option) that the main property of that product is its safe construction, be it based on a guarantee on the capital or on a risk-mitigation technique. Therefore, it is questionable whether the guarantee on the capital can be interpreted as additional value added of the Basic PEPP. In our opinion, it does not constitute additional value added of this product. It would thus not be correct to exclude the costs of such a guarantee from the limit on the costs and fees of the Basic PEPP laid down in the PEPP regulation.	Disagreed, the level playing field consideration stems from the empowerment.

No	Name	Reference	Comment	Processing
157.	Czech National Bank	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	From an expert point of view, the application of any of the risk-mitigation techniques provided in the PEPP regulation is admissible. However, their reliability is not identical. So, from the perspective of a cautious investor we consider the technique of establishing reserves as the most appropriate. We recommend considering the distribution of duties between the PEPP provider and the PEPP saver. We propose that PEPP providers should have the duty to create financial reserves when constructing the product. They would thus be better motivated to make returns on savers' contributions.	Agreed, the measurement of the effectiveness is done in a consistent way, so to ensure comparability.
158.		Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	No answer.	
159.	Czech National Bank	Q9. Do you have any other general comments to the proposed approaches?	We propose that implementing measures should lay down rules enabling the beneficiary's legal successors/authorities leading succession proceedings to be informed about the deceased's claims and enforce/settle these claims in succession proceedings. Likewise, we propose amending the rules which will enable beneficiaries to ascertain a saver's death and satisfy their claims, for example. We propose establishing more detailed rules for determining the total fees and charges which the transferring PEPP provider charges the saver in relation to the switching service, which would prevent misuse of the upper limit on such a payment, so that savers can be charged only necessary and justified costs.	Noted, this is outside the scope of the empowerment.
160.	Czech National Bank	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We fully agree with the need to support electronic distribution of all PEPP-related documents and information. This manner of distribution is necessary to achieve the lowest possible costs of providing the product. On the other hand, emphasis should be placed on ensuring durability of the documents provided to consumers on another durable medium and retaining the option to provide and distribute the PEPP and inform consumers in the traditional way through distributors and paper documents.	Agreed.
161.	German Insurance Associatio n (GDV)	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples	We believe that the draft provisions on PEPP KID and PEPP benefit statement are not sufficiently concrete for a full assessment. Furthermore, not all aspects mentioned in the consultation paper are included in the mock-up KIDs provided by EIOPA. Also not all different product types are covered by the examples either.	Agreed, the templates and provisions have been further clarified.

No	Name	Reference	Comment	Processing
		of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	• The presentation of risk is not clear. Why does the risk measure how likely it is to reach the retirement objective? If the risk as EIOPA planned shows the deviation from the desired pension outcome, then the consumer will not know which real risk his investment bears. Information on maximum loss is of utmost importance. • It is confusing that the costs are based on some artificial in future accumulated investment of 10000 EUR, while the performance scenarios show different figures. First, consumer will not know how much costs are charged for different investments if the cost structures are not linear. Second, if costs depend on the amount invested, such a representation totally neglects that costs charged at the end of the RHP will be much higher. This is particularly obvious in the brief summary of a product in example B where the performance scenarios have nothing in common with the costs charged. In our view, RIY together with an annualised costs in monetary terms should be used instead. • It is not clear how the cost indicator is used in the PEPP BS and what it measures. Furthermore, the cost indicator should be primarily included in the pre-contractual information since it explains the compound effect of costs to the consumers. • It is absolutely misleading to include past performance under the heading "what are the risks and what can I get in return?". It is common sense that past performance is not a good indicator for the future. Furthermore, a respective warning is missing. It is not clear what past performance shows: is it simulated past performance if it does not exist? Finally, why are consumers presented with average past performance over 1, 3, 5 and 10 years if the RHP could be 40 years and longer? <u>Reduction in Wealth</u> Although EIOPA does not define the RIW indicator, we believe that it supposed to measures the impact of costs in terms of the %-reduction of the final outcome in monetary terms. The RIW is misleading for consumers and has severe downsides. We believe that a RIY together with annualised costs in monetary terms is a more robust approach. EIOPA quotes some criticism over RIY approach. However, exactly the same arguments apply to RIW, but even more prominently: • "RiY approach technically requires assumptions – over holding periods and over returns" – Exactly the same holds true for RIW. Moreover, while RIY varies only moderately depending on the RHP (or not at all), RIW increases rapidly with longer RHP making all old-age provision products look very expensive. The following example illustrates this. • "2% lost yield over 40 years represents a significant impact of costs." In general, a cost indicator that comprises all costs into a single figure compresses information. To understand the impact of reduction of the yield even better, consumers are provided with costs in monetary terms. This is a much better solution than making every retirement product look very expensive as the RIW does.	

No	Name	Reference	Comment	Processing
			• "RiY strongly depends on the duration of the accumulation phase" This effect is much stronger for RIW as the next example shows. Furthermore, the RHP of a PEPP is fixed, since the product is supposed to be held until retirement. The following additional criticism applies to RIW only: • First, even if the costs are exactly the same, a product with a longer term will always look more expensive. A consumer may draw the wrong conclusions when comparing the PEPP KID of different products, if the calculations in the different KID are not based on exactly the same term (e. g. in the case of the KID published on the website of the provider). We do not follow the arguments claiming that RIW reflects the long term nature of PEPP better. Usually costs are measured per annum as is also foreseen in the level one text for the cost cap. According to the arguments in the CP a product that charges 1 % of the assets under management per annum but is held for 18 years would be cheaper than a product which charges 0,9 % but is held for 20 years (at least if a positive performance is assumed). • Furthermore, we believe that it is important to maintain consistency between PEPP and PRIIP with regard to the disclosure of costs. The respective level 1 texts are the same in this respect. Whereas in this case the RIY does not even vary with the length of the holding period, the RIW will make products with a long holding period (e.g. 40 years) look more than three times more expensive than products with a shorter holding period (e.g. 10 years). assumptions: ongoing costs =1% of accumulated capital, annual yield before costs=4% **product with 10 year term** **RIW1** **9%** **RIY1** **1,00%** **product with 40 year term** **RIW2** **33%** **RIY2** **1,00%** That is misleading in our eyes. Imagine using the same measure in other areas of life: Renting a flat for 20 years is more than twice as expensive as renting it for ten years – never have we heard of such a disclosure. • Finally, the costs expressed in RIW give a general impression of a very onerous cost burden. A Basic PEPP with a 40 year term will show 33% of costs to consumers. We see the risk that consumers will be discouraged from old age saving. • In general, the following graphs show that RIW does not treat the same products with different terms fair, since it has a big bias for shorter terms.	

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			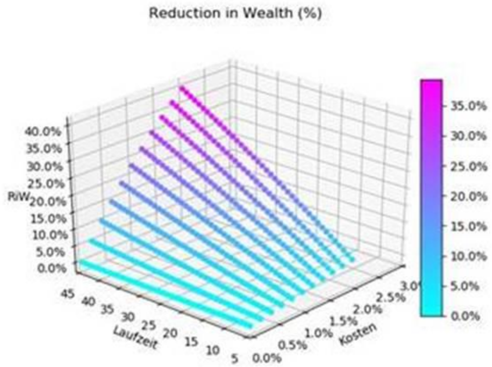 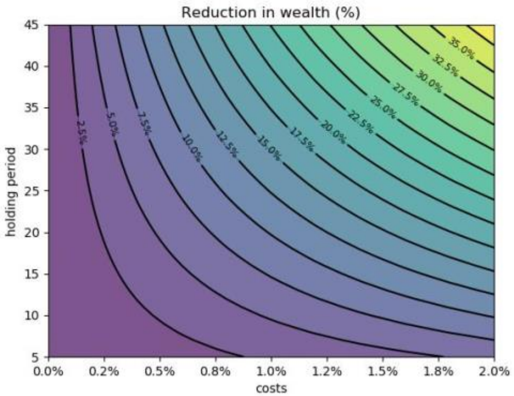 • RIY is used in Germany for Riester pensions and other pension products and is understood well by consumers. Some people argue that RIY alone without a context might be difficult to understand for some consumers. However, we doubt that RIW will help solving this issue. Therefore, we suggest showing RIY together with annualised costs in EUR instead of the RIW. Also RIY could be shown together with yield before and after costs. Such a representation will give consumers a practical understanding of the monetary effects of the percentage. assumptions: ongoing costs =1% of accumulated capital, annual yield before costs=4%, investment 10000 EUR **product with 10 year term** **average costs p.a. in EUR** **115 €** **RIY1** **1,00%**	

No	Name	Reference	Comment	Processing
			product with 20 year term **average costs p.a. in EUR** **135 €** **RIY2** **1,00%** **product with 40 year term** **average costs p.a. in EUR** **189€** **RIY3** **1,00%** Finally, it is unclear the impact of which costs the RIW as proposed by EIOPA is showing. <u>Decumulation phase</u> Decumulation phase is an essential part of the PEPP. If PEPP has an annuity or annual drawdown payments as a default pay-out option, then it should be allowed to express projections in terms of annuities as a default.	
162.	German Insurance Association (GDV)	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	The German insurers welcome a holistic consistent method for the measurement of risk/reward, performance and risk mitigation techniques. However, it is essential that the risk is not measured based on the individual retirement goals of consumers but on some fixed nominal values that can be compared. <u>The stochastic model for risk, return and RMTs needs to ensure that different features of PEPPs are shown in a balanced way</u> As already mentioned, there is no free lunch in the financial markets. Our impression is that EIOPA seems to be treating investment risks as negligible in the long run, whereas guarantees only decrease the pension benefits for PEPP savers without adding much of an additional safety. In our view, it is of utmost importance, that the forward-looking stochastic simulation model is chosen and calibrated in a way, that fairly shows the risk reward trade-off for different products. In particular, the model should ensure that two products with similar risks and similar costs will have similar yield for consumers. For example there is already academic literature which shows that a life-cycle funds offer just a similar risk-return profile as an appropriately calibrated balanced funds.[78] In particular, it was the aim of the legislator to make sure that the Basic PEPP is a safe product (e.g. recital 54). Therefore, the Basic PEPP should either have a conservative investment or reduce the risk exposure over time or provide for a hard guarantee.	Agreed.

[78] Graf, S.: "Life-cycle funds: Much Ado about Nothing?" Published at European Journal of Finance; Abstract:https://www.tandfonline.com/doi/abs/10.1080/1351847X.2016.1151805 (abstract)
Full paper https://www.ifa-ulm.de/fileadmin/user_upload/download/forschung/2015_ifa_Graf_Life-cycle-Funds-Much-Ado-about-Nothing.pdf

No	Name	Reference	Comment	Processing
			Thus, it is questionable and also difficult to reconcile with EIOPA's mandate why EIOPA seems to have a tendency in showing the possible disadvantages of guarantees, while hiding the disadvantages of risk from other RMTs. In particular, • If PEPP savers are informed about benefits and limitations of PEPPs with guarantees, they should be symmetrically informed about risks and chances of PEPPs without guarantees. • Moreover, the information on potential reward limitations of Basic PEPPs due to the RMT that should ensure capital protection should be independent on whether the product has a guarantee or not. The same holds true for the role of inflation, which is equally relevant for all types of PEPPs. • The overarching principle-based rules should be the same for all RMTs. The RMTs should uniformly assess the risks inherited, not only quantitatively but also qualitatively. <u>Risk should be measured objectively and ensure a balanced representation of products</u> As an example, we believe that EIOPA is measuring risk on subjective retirement aims of each consumer instead of looking into which asset classes are indeed risky or not. In our view, this is contrary to the aims of the PEPP Regulation that aimed at ensuring that these vulnerable consumers are first and foremost protected against old-age poverty. Subjective definition of risk • Does not fulfil the requirements of the PEPP Regulation that are intended to ensure that Basic PEPP recoups the invested capital only • Encourages low income consumers that might still have ambitious retirement goals to invest in high risk investments in order to reach these retirement goals • Does not allow the comparison with other products • This approach ignores the fact that the PEPP Regulation, IDD and MiFID II do not only take into account the customers retirement income objectives but also: - the financial situation including that consumers' ability to bear losses and their risk tolerance and their knowledge and experience. The German insurers welcome the application of stochastic forward-looking models in order to measure the quality of different risk mitigation techniques. However, it is important to keep in mind that the primary purpose of the underlying model is to consistently measure different RMTs. Therefore, it is first and foremost important that if two different products have similar risks (e.g. 99% RMT and 100% guarantee measured according to some forward-looking stochastic model) and similar costs, then the performance will also be similar. Since there is no free lunch in the financial markets, the risk reward trade-off should be balanced independent of the type of RMT. For consistency reasons and for a level playing field the regulator has to define	

No	Name	Reference	Comment	Processing
			a single appropriate forward-looking stochastic model that will be applied by different PEPP providers for different types PEPPs. Otherwise (if providers are allowed to develop their own models), consumers will not be able to compare different PEPPs properly. Furthermore, it should be taken into account that the concrete value (e.g. 99% probability of recouping the capital) is defined within a certain mathematical model, which will normally not be explained to the consumers. The value depends on today's perception of the risk, i.e. on its parametrisation. The structural breaks no one can foresee are usually not part of the model. Therefore, EIOPA should be careful how they communicate the remaining risk of RMTs to consumers. For example, just before 2008 markets have seen a financial crisis as highly improbable. In particular, it is crucial that consumers are transparently informed and warned, that they can incur total losses. Finally, it should be taken into account that only the market risk of the products is measured by the RMT. Credit, liquidity and other risks are not captured. EIOPA even admits that the measurement of credit risk is not straight-forward (page 16 of the consultation paper). This should be taken into account in the communication with consumers.	
163.	German Insurance Association (GDV)	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	No, we ask EIOPA to pursue the objectives made by the PEPP regulation. A mapping of the pension outcomes against the expected inflation is not required by the PEPP regulation. The PEPP Regulation requires that all investment options must ensure "sufficient protection for the PEPP saver" (article 42(3)). The Basic PEPP should allow saver "to recoup the capital invested" (article 45(1)) meaning the "aggregate capital contributions after deduction of all fees, charges and expenses that are directly or indirectly border by the savers" (article 2(24)). PEPP risk mitigation techniques should ensure that the investment strategy is designed to "build up a stable and adequate individual future retirement income" (article 46(1). Against this background, EIOPA's suggested objectives as detailed in page 13 of the draft technical advice go beyond the letter of the PEPP Regulation. To quantify the PEPP investment options' riskiness and performance, EIOPA suggests 3 investment objectives which are either not feasible or suitable in a PEPP context: • EIOPA suggests that accumulated savings should be protected against inflation. This would be extremely challenging — if not impossible — considering inflation's fluctuant nature and the fact that it is not known at the time when the guarantee is issued. Such commitment would result in an unquantifiable promise, most likely not authorised by national supervisory authorities and way too burdensome from a prudential point of view. Otherwise, it would require to invest exclusively in inflation indexed bonds,	Partially agreed, the requirements have been further tailored to reflect on pension-specific risks.

No	Name	Reference	Comment	Processing
			which are not widely available in Europe and would defeat the investment diversification policy agenda. Moreover, it does not consider the fact that in most EU countries, inflation is higher than maximum guaranteed interest rates set at national level. • EIOPA also suggests that PEPP investment strategies should at least reach the Long-Term risk-free rate. It is not clear why this is a particularly relevant pension savings target and is unlikely to be a concept easily understandable by savers. • Finally, limiting dispersion of future PEPP benefits cannot not be a PEPP investment objective as it would lead to the subjective assessment of PEPP riskiness based on individual expectations. The stochastic economic model should measure the risk of loss ie. What are the chances that an investment strategy will not meet the objectives set by the PEPP Regulation (ie. nominal capital protection only).	
164.	German Insurance Association (GDV)	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	GDV agrees that the assumptions should be standardized at EU level. However, it is not clear whether EIOPA is the most appropriate entity to do so. Based on our national experience in Germany, we also see merits in EIOPA being assisted by an independent third party to establish, run, monitor and update the economic model on a regular basis. In Germany there is an independent institution called PIA (Produktinformationsstelle Altersvorsorge) in charge to develop and run the stochastic model that is used for risk-reward classification for state subsidized pension product. PIA's advisory board is composed of scientists, consumer advocates, industry experts, and federal ministries. GDV recommends EIOPA to investigate the benefits of a forward-looking stochastic economic model applicable to all risk mitigation techniques. A stochastic economic model assessing the risk mitigating effect of different investment techniques by measuring the probability to meet the objective set by the PEPP regulation – ie. the risk of losing the capital invested – could be suited to measuring PEPP risks in a consistent manner given its expected diversity. We believe that the establishment of a stochastic economic model for the PEPP could not only ensure consistency but also: • Measure the probability that the PEPP will meet its objective ie. nominal capital protection. • Allow the establishment of minimum thresholds to satisfy to identify if a risk mitigation strategy is safe enough to be sold to the public with the Basic PEPP quality label. • Derive risk indicators and performance projections to fulfil information disclosures requirements. • Avoid the need for detailed rules on each risk mitigation techniques and so allow innovation on financial markets while ensuring the Basic PEPP is safe.	Agreed.

No	Name	Reference	Comment	Processing
			As mentioned above in Germany there is already a proof of concept supporting the relevance of stochastic economic model approach. The OECD is also currently investing the potential of stochastic economic model applicable to life-cycling strategies as part of the ongoing update of its Roadmap for the Good Design of DC Pension Plans. It is vital that a stochastic economic model is appropriately calibrated and used an appropriate range of data. • Recent PRIIPs experience has shown that using only the past 5 years historical data has proven suboptimal to project reliable information on future benefits/performance. • The OECD recent study considers two different data sets to illustrate how the stochastic model would assess probability of getting back capital invested: historical returns (1969-2018) and low returns (1999-2018). Illustrations of the proposed stochastic model have shown very different outcomes depending on which data are being used. Furthermore, "low return scenario" sounds like sensitivity – but in our opinion the last 20 years are more suitable to reflect the current market condition realistically. This is why it would be so important to have independent experts involved making calibration decisions. <u>Risk and performance</u> We understand that EIOPA defines a risk indicator based on the subjective risk perception of each consumer meaning that the risk is measured on the basis of the retirement goals of each consumer. We believe that such an approach is highly problematic: • The text of Regulation defines the guarantee or the aim of recouping the capital as the benchmark of the Basic PEPP. Risk indicator and performance scenarios should be measured against this benchmark. • It does not allow comparison of PEPP with other products that measure the risk based on the loss of consumer, e.g. with pension products that fall under PRIIPs • Furthermore, it does not look at the extreme event of large losses which are very relevant for PEPP savers. In our view, it is crucial that risk indicator measures the risks consumers suffer in case of adverse market developments due to too risky asset allocation strategy. It is conceptually wrong to measure the deviation between unfavourable and favourable scenarios since it does not take big losses into account. • Even if a PEPP reaches a high probability to meet the retirement goals of some costumer, it does not mean that the PEPP is suitable for him or her. This is due to the fact that apart from customer's investment objectives (e.g. the objective to reach at least the long-term risk-free rate) more factors need to be taken into account. Most notably that person's risk tolerance; the customer's financial situation,	

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			including that person's ability to bear losses; the customer's knowledge and experience (Art. 30(1) IDD, Art. 9 (2-4) DR 2017/2359). • Consumers usually do not usually have a concrete individual benchmark (everyone would like to be a millionaire in retirement). Furthermore, benchmarks can change over time. Therefore, it is important to use the same fixed benchmark for all products and all consumers. • We believe that EIOPAs idea to measure the risk based on consumers' intended retirement income is very dangerous. Consumers are encouraged to bet on future gains aggressively enough in in order to meet the retirement goals with possibly low contributions. This contradicts the core purpose of Basic PEPP and old-age provision in general. In case of adverse market developments consumers will suffer huge losses and endanger their retirement provision as history shows. Again, it is worth mentioning that "99% safety" of risk mitigation techniques is a relative statement in terms of some model, which highly depends on the current perception of the market and underlying parametrisation. It equally crucial that performance scenarios in precontractual documents are expressed in nominal and not real values • First, according to the Regulation, inflation and wage development are only part of the PEPP benefit statement. Basic PEPP only defines the objective of recouping nominal capital invested which should serve as a basis. • Second, neither UCITS KIID nor PRIIPs KID nor other known pre-contractual information documents include values in real terms. • Furthermore, inflation and real values can significantly change over time so that consumers receive a wrong perception of safety. • Inflation is not a product specific issue since every product is affected by inflation aspect. Therefore, it is of utmost importance, that inflation is not only related to products with guarantees as it might be interpreted from Article xd on page 34. Furthermore, inflation depends strongly on the domicile of customers. • We believe that a disclaimer on how real values relate to nominal is very important. However, we believe that a qualitative explanation, possibly a descriptive example, to consumers instead would be more useful for consumers. The risk indicator, performance scenarios and costs should reflect the specificities of PEPPs. Compared to most PRIIPs, the Basic-PEPP will be a long-term product, which is path dependent due to its mandatory RMT. In order to be able to compare Basic PEPPs with non-Basic PEPPs, it is mandatory to apply the same (path-dependent) methods to PEPPs with alternative investment options. Therefore, the PRIIPs methodologies for risk and	

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			performance – Cornish Fisher and bootstrap – are not suitable for PEPPs. This is due to the fact that these methods are backward, short-term, and are purely based on market values. Therefore, they are not able to capture path dependency of PEPPs. Instead, we suggest that EIOPA could develop a true forward-looking stochastic simulation model: • The model could be based on some basis stochastic processes that define the main asset classes. • The distribution of the PEPP could be generated using the Monte Carlo simulation. The model used in Germany for the Riester and Basis pensions is a proof of this concept. It has been used by the industry since 2017 and has proven to be stable and working for insurance, fund and banking products. In our experience the so-called “what if” scenarios are best understood by the PEPP savers. They enable consumers to understand that the scenarios only show the uncertainty of returns and present a possible range of outcomes. We believe that this information is crucial for PEPP savers: they should be aware of how much they could indicatively expect in retirement and that the final outcome can vary, sometimes significantly. “What if” scenarios are successfully used for Riester pensions: • Riester “what if” scenarios calculate the final outcome using a fixed interest rate. The idea is to show examples of how much consumers can expect in different and make consumers aware of uncertainty of return. • Riester shows four scenarios for five different risk reward classes (RRC). Each scenario depends on the RRC with constant yearly interest rate (can be modified if pure risk classes are used). • The exact rates are set by the German ministries and can be found in §10 AltVPIBV (the higher the RRC, the higher the risk). RRC 1: 0.5% / 1% / 1.5% / 2% RRC 2: 1% / 2% / 3% / 4% RRC 3: 0% / 2% / 4% / 5% RRC 4: 0% / 2% / 5% / 6% RRC 5: -1% / 2% / 5% / 7% We understand that the PEPP Regulation does not require past performance to be included in the PEPP KID. Past performance is not mentioned in Article 28, which defines the contents of the PEPP KID. The title of the section “What are the risks and what could I get in return?” (Art. 28(3)(d)) is not compatible with past performance. The requirement to provide information on past performance is contained in Art. 26(9). To us,	

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			separate information seems appropriate, since for certain products (that e.g. include guarantees and biometric protection) past performance does not exist on a product level. Furthermore, PEPP's past performance would differ for each consumer due to the RMT it inherits. Therefore, past performance could only be shown in a generalised way (for example, as the total past surplus for with-profits). While this information might be interesting for some consumers, it can be easily misinterpreted by most of them. Notwithstanding the above, if EIOPA intends to include past performance, the following should be taken into account: • Past performance should not be included in the section "What are the risks and what can I get in return?". This would highly mislead consumers: it is widely agreed that past performance is not a good indicator for the future return and it also does not show the risk of long-term products. Additionally, a respective warning is crucial. • If past performance is simulated, how is it ensured that consumers understand what is meant? • Average past performance shown in mock-up KIDs is not informative for the consumers. For example, it can happen that a product that fluctuated severely over the last 10 years shows relatively stable past performance. Therefore, consumers will receive a wrong impression about the volatility of the product. Furthermore, average past performance is not intuitive. If a consumer buys a PEPP with holding period of 30 years or more, the averages over 1, 3, 5 and 10 years are irrelevant for her <u>UFR:</u> In Section 2.2 it is stated that EIOPA is planning to introduce a benchmark for the annual rate of nominal investment returns, and proposes to use a long-term risk-free rate plus average long-term risk premia per different asset classes.. We have two major objections against the UFR being used as a benchmark rate: 1) The UFR is a forward rate, not a spot rate. A proper benchmark would have to be based on the latter. 2) The UFR is not suitable as an investment performance benchmark in general, because it is a rate very much specific to the insurance industry: it is a parameter used for generating the extrapolated part of the risk-free Solvency II yield curve, which is then used for calculating present values of technical provisions. <u>Retirement benefits</u> We believe that EIOPA should also provide support in the mock-up KID, how the pay out phase of the product should be explained to consumers. It is important for consumers to understand which risks and benefits	

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			different forms of pay outs have in particular with respect to the fact that consumers can outlive their savings in retirement.	
165.	German Insurance Association (GDV)	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	To enable supervisory authorities to fulfil their obligations under Article 40 of the PEPP regulation and EIOPA to fulfil their obligations under Article 65 (2) of the PEPP regulation, it is required for them to receive relevant information. In order to conserve the resources of providers, information should only be submitted once to the home NCA. In accordance with Article 40 (1) s. 2 of the PEPP regulation information should not go beyond what is absolutely necessary for the supervisory authorities to assess the product ("The additional information shall include, where applicable, [...]"). Furthermore, the limited information that EIOPA is entitled to as per Article 65 (2) of the PEPP regulation might not be enough for the home and host NCAs to fulfil their obligations. Perhaps a filtered version for EIOPA could be a solution that secures a single submission for the provider. Supervisory reporting: Since Article 40 of the PEPP regulation is already very far-reaching, it is essential that the delegated act remains within the limits of the enabling basis in Article 40 (9) of the PEPP regulation. Level II must not go beyond what Level I specifies. From our understanding, there are some cases where this might not be the case or where clarification is needed. It should be ensured that PEPP reporting does not create a separate reporting channel. Existing processes and systems should be used to meet the PEPP reporting requirements. In detail this means that: • only those data that are not yet available to the supervisory authority are to be queried • deadlines and frequencies should be consistent with Solvency II reporting requirements • the NSAs serve as a collection point for the information Does the regular reporting refer to Article 40 (5) of the PEPP regulation? If so, the proposed approach of EIOPA to use quarterly reporting (see p. 26) is not compatible with Level I. Hence, we welcome that EIOPA decided to propose annual reporting requirements only (cf. EIOPA-BoS-20-100 Draft Commission Implementing Regulation for the application of Regulation (EU) 2019/1238 of the European Parliament and of the Council with regard to the format of supervisory reporting to the competent authorities and the cooperation and exchange of information between competent authorities and EIOPA, Article 5).	Agreed, the provisions have been further clarified to streamline the reporting requirements.

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			EIOPA wants the PEPP Supervisory Report to be submitted in the reporting year in which the PEPP provider is registered. In subsequent years, only material changes should be reported for some sections of the report. In addition, NCAs have the possibility to request more frequent submissions of the PEPP Supervisory Report (see p. 26). This appears to expose providers to additional effort, which cannot be anticipated as EIOPA does not specify the requirements for a more frequent submission or the specific interval for the query. However, Article 40 (2a) of the PEPP regulation requires that the transmission of data must take place at a predefined interval or upon occurrence of predefined events. None of these requirements are met by the EIOPA proposal so far. Overall, a more frequent request does not seem to comply with Article 40 of the PEPP regulation. We welcome the objective of avoiding duplications in reporting and the idea of sharing standardized information centrally. Although it may already result from the context of purpose, the delegated act should clearly state which requirements must be met in order for a supervisory authority to be granted access to the submitted data. A technically clean system is due which only allows access to authorized NCAs. The system needs to be updated regularly to allow host NCAs to be able to access the respective information in a timely manner after a contract abroad has been signed. At the same time it is vital to respect Article 40 (5) of the PEPP regulation. EIOPA may be provided with the information required to be forwarded by the NCAs pursuant to this provision only. A full access to all information submitted by PEPP providers can be granted upon request, Article 40 (7) of the PEPP regulation.	
166.	German Insurance Association (GDV)	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	The technical details regarding the cost cap should "ensure a level playing field between different PEPP providers and different types of Basic PEPPs with their particular cost and fee structures" (Art. 45 (3)). We believe this principle should also apply irrespectively of in which Member State and by which provider a PEPP is offered. Therefore, we believe that the proposed "all- inclusive-approach" will not ensure a level playing field. <u>Costs of guarantees</u> In terms of communication to consumers, it should be duly taken into account that guarantee is a risk mitigation technique and should be treated in exactly the same way as other risk mitigation techniques that result in low risk for consumers. Therefore, to ensure a level playing field, it is correct, to exclude possible costs of guarantees from the cost cap.	Agreed.

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			However, a clear definition is necessary to implement this requirement in a meaningful way. In addition, EIOPA proposes a disclosure of these costs. Unfortunately, this clear definition is missing in the consultation paper. It is mentioned several times with seemingly different intentions. For instance on page 31 <u>opportunity costs</u> of guarantees are mentioned but on page 20 <u>market price</u> is mentioned. We strongly advise against creating a new cost definition. Opportunity costs are an element of the risk / return-profile of a product. They measure potentially missed opportunities compared to another investment option. This is not a cost in the sense of fees and charges. The trade-off between risk and return need to be made transparent, but not in the costs section. The relation of risk reward is shown to consumers through the risk class and the performance scenarios. Products with lower market risk have usually lower performance scenarios. Most guarantee concepts in insurance do not contain a market price. Therefore market price is not a concept that can be used in general. In order to ensure the guarantees, administrative expenses incur at various points: in the actuarial department, in risk management, but also in the investment department. These are part of the total administrative costs in the company. From the customer's point of view these expenses for securing the guarantee are reflected as part of the total costs of the product (according to the PRIIP definition). This means that the costs are already included in the total costs under PRIIP usually in other current costs. <u>Disclosure of costs of guarantees in the PEPP-KID</u> The total costs of a product are already conclusively defined in the PRIIP Regulation. In the PRIIP-KID, a separation is made between one-off and running costs. Up to now, however, it has not been customary - apart from a few exceptions - to show guarantee costs to the customer separately. In the German concept of establishing guarantees, these costs are also not registered separately by companies. In order to keep the additional expense of separate disclosure within limits, a simple solution should be sought: A possible starting point would be the owners share, which can be interpreted as the "margin" of the owner for bearing the risk. The owner's share is already determined as a cost in PRIIP. However, a complete classification of the owners share as guarantee costs would go too far, since not only the capital guarantees are borne. The proportion of owner participation to be chosen depends on the guarantee level and could be plausibilised via the amount of the options and guarantees under Solvency II. The latter cannot be used directly because it is a value at enterprise level - but it is suitable for plausibility checks. For the few exceptional cases mentioned, where costs of guarantees are already explicitly shown, this should of course be disclosed. In the insurance context this would be the case for variable annuities. <u>RIY should serve as a calculation basis for the cost cap</u>	Disagreed, disclosures cannot change the requirements of the

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			From our perspective a cost cap that is based on the average yearly cost load (Reduction in Yield, RIY) is the only approach that is able to treat different types and structures of fees and charges fairly, irrespective of the timing of the costs: Over the term of the contract, the 1 % costs of the Basic PEPP measured in terms of RIY would not exceed 1 % of the accumulated capital per year and thereby comply with Art. 45 (2). This approach would also effectively take into account “the long-term retirement nature of the PEPP” (Art. 45 (3)), where different costs are due in different points in time over the product’s lifetime. The experience with Stakeholder pensions in the UK shows that, in contrast, a cost cap based on the actual accumulated capital in the contract promotes business models for customers with higher savings capacity. The current interpretation of the cost cap by EIOPA allows PEPP providers to charge relatively high costs in monetary terms in the end of a contract, whereas the majority of fixed costs usually incurs in the beginning of the contract. Furthermore, it assumes a linear cost structure of a product which does not always apply, since different calculation bases might be necessary for insurance products. Insurance products have fixed calculated costs which are specified in consumer’s contract and do not change during the term of the contract. This is a big difference to funds that can adjust the costs each year depending on their situation. The insurer has to prove to the supervisor that the costs calculated in the product are adequate and sufficient for the entire term of the product (Article 209 Solvency II Directive). In order to charge consumers fair costs and ensure actuarially sound calculation, the costs have to be based on the quantity relevant for the respective cost. Furthermore, insurers need to take all adverse scenarios into account which are related to the costs (the fairness towards consumers is ensured with profit participation on cost surpluses). This implies for example, that the accumulated capital cannot be used as the only calculation basis since the one-off costs should be adequately priced on a contract basis. Furthermore, in our view, a clarification that RIY serves as a basis for the cost cap is necessary. Otherwise, different PEPP providers could interpret the provision in Art. 45 PEPP Regulation differently. For example, there is a mistake in the German text of the PEPP-Regulation, as it speaks of 1% of the capital saved per year. We believe that EIOPA has a legal mandate for this specification: Recital 55, second sentence refers to a level playing field between different PEPP providers and different types of PEPPs with their particular cost and fee structures as the purpose of the RTS according to Art. 45(3) PEPP Regulation. Therefore, it is the purpose of the RTS to specify how a yearly cost cap can be applied to different cost structures in a meaningful way. This also includes a level playing field for PEPPs with one-off costs and PEPPs with linear costs. Therefore, the mandate according to 45 (3) of the PEPP Regulation should also include the level playing field between different costs structures.	PEPP Regulation regarding the design of the Basic PEPP’s cost cap.

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			Finally, both Recital 55 and Article 45 (3) refer to the long-term nature of the PEPP. Therefore, the dependencies between costs and term of PEPP – which can be captured by the cost indicator based on average annual costs – should also be taken into account. <u>To create a level playing field, distribution costs must not be part of the cost cap</u> PEPP providers shall provide advice to prospective PEPP savers, including personalised recommendation (Art. 34 (2) PEPP Regulation). However, whether the distribution costs are included or not, varies between products, distribution channels and Member States. If distribution costs in gross tariffs fall under the cost cap while the advice fees do not, it would in our view create an unlevelled playing field and would adversely affect the objectives of the PEPP. • Following the explicit mandate to ensure a level playing field between different PEPP providers and different types of PEPPs with their particular cost and fee structures, the types of costs and fees to be taken into account need to be further specified. Therefore, we believe that the proposed “all- inclusive-approach” will not ensure a level playing field. The distribution regimes differ between Member States (e.g. commission-based and fee-based advice). • In markets where commissions are prohibited (e.g. NL), distribution costs would probably not be part of “PEPP A”. This is due to the fact, that the fee for the advice is not known to the manufacturer in advance. The customer would pay the fee in addition to the PEPP. In markets with commission-based distribution models the distribution costs of “PEPP B” would be included in the PEPP calculation and thus fall under the cost cap. This would lead to an unlevelled playing field and might hamper cross-border business. • At the beginning of the distribution and advice process, it is not yet clear which product fulfils the (retirement-related) demands and needs of the customers at its best. This might be a Basic PEPP but could also be another PEPP or even a completely different pension product. The cap on costs was deliberately designed only for the Basic PEPP and should not have any spill over effects. • We believe that the service and advice offered needs to be reduced to the absolutely minimum, in order to stay within the cost cap. It might negatively impact the non-basic-PEPP specific advice as the intermediary has to anticipate to potentially selling a basic PEPP. From the intermediaries’ points of view who want to offer high quality advice, the only way to obviate this is to refrain from offering any PEPP. • Even if the average fees charged for the distribution were included in the cost cap, this would not lead to a level playing field. First, there will always be PEPPs that have a higher distribution costs than average. These PEPPs would not meet the requirements of a Basic PEPP. Second, PEPP providers usually do not	Partially agreed, please see the response to comment number 11.

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			always know the fees that are negotiated between the broker and the consumers. Moreover, the average would not remain fixed but probably rise (e.g. through inflation). • In Germany, Verbraucherzentrale NRW, a consumer association, charges a fee of 170 EUR for generic advice on pensions[79]. With a cost cap based on the actual accumulated capital per year the PEPP saver would have to accumulate at least 1.300 EUR per year[80] (6.500 EUR in five years, the first time for being able to switch the provider) to enable the provider to recoup at least those distribution fees. All other costs for setting up and managing the contract are not even included yet. • If the distribution costs were included, PEPP providers that focus on late movers will be at advantage. Due to the high accumulated amount that is already saved by the PEPP saver, it would be easier for such providers to cover initial costs. • Robo advisors are not sufficiently advanced yet. Moreover, they cannot (yet) replace the advice for an individual PEPP saver. The demands and needs of potential PEPP savers could significantly differ. It would be very difficult to incorporate this in a standardised/automated advice process. • Human advice is likely to be better suited to meet the needs of vulnerable consumers. In contrast to conventional advice, automated solutions may make it more difficult for the consumer to communicate problems of understanding or to ask questions. Supporting cost efficiency should not be at the expense of consumer protection. • The experience shows that there is in general little active demand for pension products since consumers are reluctant to think about their retirement. Therefore, an external initiative is often needed to make customers aware of the problem. Robo-advisors are not able to make this first step. This important task is mostly performed by distributors, who will not do this for free or if they are payed less compared to other products. We are strongly concerned that the inclusion of distribution costs in the cost cap would adversely affect the social objective of the PEPP to target the mass market. Premiums for the cover of biometric risks are not costs The PRIIPs RTS differentiate between the net premium for the biometric cost cover and the actual costs that incur to consumers (see PRIIPs RTS, Annex VI, number 59). This is due to the fact that the net premium serves a risk-sharing purpose for the insured pool. For this premium affected consumers or their survival dependants receive a benefit, which could be inter alia a payment in case of death or occupational disability pension.	

79 https://www.verbraucherzentrale.nrw/geld-versicherungen/geldanlage-und-altersvorsorgeberatung-1310

80 170 EUR are the costs that are calculated on the basis of 1300 EUR yearly premium, paid on a monthly basis, assuming a yearly yield of 3% and a cost cap of 1% of capital invested yearly. Since a PEPP saver could change a provider after five years, the one-off costs should be acquired within these years.

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			We welcome that EIOPA takes out the premium for the biometric protection out of the cost cap of Basic PEPP since this is an additional protection for consumers. However, on page 20 EIOPA states that premium for biometric protection is a cost. This is not correct and should be aligned with the PRIIPs standards.	
167.	German Insurance Association (GDV)	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	Overarching principles for risk mitigation techniques We understand that the PEPP Regulation should on the one hand ensure the safety of a PEPP and on the other hand not restrict innovative RMTs and products. In particular, the Basic PEPP shall use a risk mitigation technique that is reliable enough to ensure that the PEPP saver recoups the capital invested. The regulation provides a non-exhaustive list of applicable risk mitigation techniques which, inter alia, include life cycling, smoothing/pooling and guarantees (Art. 46 (2)). The Level 1 text on purpose left the definition and specifications of different RMTs flexible enough so that new innovative risk mitigation techniques could arise. Therefore, *the overarching rules applicable to RMTs should be principle-based and uniform for all products.* Definition of different sets of rules for different RMTs should be avoided. A principle-based approach would also help keeping the existing RMTs that work well in Member States as well as for different product types and ensure a level playing field between different RMTs. In turn, we are afraid that setting different rules for each RMT could effectively result in unequal treatment, in particular because of the already high level of regulation of guarantees compared to other RMTs. Furthermore, some products could mix different RMTs, e.g. use partial guarantees, pooling and smoothing and even life cycling. Such products will result in much higher burdens for the PEPP providers if they were to apply different rules. Innovation is important. We currently see many new products being developed in the German insurance market, for example new types of guarantees. The overarching principles should be flexible enough to ensure they apply to new products to come. We would argue that already today there are more than three “classical” types of RMTs and some RMTs mix features of these three techniques. It is often impossible to classify a certain product as being a certain type of RMT. For example, a typical CPPI-product with a final financial guarantee uses important life-cycling elements such as adaption the investment allocation to mitigate the financial risk of investments corresponding to the remaining duration. If there are specific provisions for each RMT given, it will be necessary that in such a situation the provisions of at least two different RMTs have to be cumulatively fulfilled. What happens if certain elements of a third RMT are also concerned? It does not seem meaningful, would lead to additional burdens for manufacturers and could lead to contradicting provisions.	Agreed.

No	Name	Reference	Comment	Processing
			Therefore, provisions for RMTs should include general objective and methods to measure if the objectives are fulfilled. Detailed technical provisions for certain RMT are not meaningful and prevent innovation. Hence, a principle-based approach is needed with provisions about • How the risk is defined? Which risk measure is used? • How is the effectiveness of RMTs measured? What are the targets, every RMT has to fulfill? In our opinion a consistent forward-looking stochastic simulation model is needed for evaluation the effectiveness of RMT across different PEPP products. Remark on Article xc: Establishing reserves (page 33): A basic principle in life insurance is the pooling and smoothing mechanism of capital investments and gains. Collective investment strategy is a core principle in insurance industry with many advantages for customers in comparison to pure individual investment strategies. Usually there are already many regulatory guidelines for managing collective investments in force, e.g. in Germany the VAG, DeckRV, MindZV etc. We are deeply concerned that EIOPA – as the European Insurance authority – is introducing provisions that might restrict collective investments. There would be no benefit for customers, if insurers were forced to use earmarked assets for new PEPPs, since in this case current collective buffer and reserves cannot be used, which is the core idea of smoothing over time. In summary, detailed technical provision for RMTs are not helpful to develop good products for customers. As mentioned above – a principle based approach is needed. <u>Stochastic tests of the quality of different risk mitigation techniques are necessary</u> In addition, a methodology uniformly applicable to all RMT should be developed to test the quality of different RMTs. This test would in particular prove whether a RMT of the Basic PEPP is sufficiently safe to ensure that the capital is recouped at retirement (and not at a later time as EIOPA states in Art. xa(8) on page 33). We welcome that EIOPA proposes to use a forward-looking stochastic simulation that assesses the safety of a PEPP by simulating the product until maturity. It is also meaningful to simultaneously use the model for the measurement of risk, performance and the quality of different RMTs (see section information requirements for more details). It would contribute to the consistency within the PEPP framework and would also reduce the implementation costs for the industry. For example, in Germany a forward-looking stochastic simulation model is used for both risk indicator and performance scenarios. The so-called "PIA-Modell", provided by the "ProduktInformationsstelle Altersvorsorge", uniquely applies to different Riester providers and covers different forms of Riester products.	

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			A similar model approach is also used in Germany the context of the PRIIPs Regulation for category 4 products. This model could be extended for the measurement of the quality of RMTs[81].	
168.	German Insurance Associatio n (GDV)	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	-	
169.	German Insurance Associatio n (GDV)	Q9. Do you have any other general comments to the proposed approaches?	**The technical provisions on PEPP should reflect demands and needs of consumers as set out in the PEPP Regulation** EIOPA has been assigned to develop Level 2 measures regarding some of the most important aspects of the PEPP Regulation. Many stakeholders agree that this is a challenging and complex task that will be an important factor in the success or failure of the PEPP. Beyond the complexity, the task is embedded in a short time frame during which different views of the stakeholders should be taken into account. Already the negotiations on Level 1 proved difficult as the PEPP Regulation incorporates a set of different ambitious objectives. The co-legislators balanced these objectives in a delicate agreement that laid a good basis for the development of a pan-European pension product, in particular the particularly safe and cost-efficient version of PEPP – the so-called Basic PEPP – that is in focus of the PEPP Regulation. One fundamental element of this political agreement is a level-playing field between different types of providers and their ability to offer a Basic PEPP to the consumers: Basic PEPP needs to ensure a high level of safety for consumers on the one hand while at the same time allowing for innovation how this safety can be achieved. In particular, a capital guarantee as one of the mechanisms to protect the capital invested by the saver was initially proposed by the European Commission and later confirmed by the views of the Council and the European Parliament and serves as a benchmark for the quality of PEPP. In our view, the present draft proposals do not uphold with the above described agreement of the co-legislators and fail to reach the objective to provide a level-playing field. We believe, it should be in the remit of EIOPA to “overcome the loss aversion” (p.5 CP) of the consumers by setting certain parameters as to disadvantage certain	Noted.

[81] For a general description of the stochastic approach see Graf, Korn “A guide to Monte Carlo simulation concepts for assessment of risk-return profiles for regulatory purposes” https://www.ifa-ulm.de/fileadmin/user_upload/download/forschung/2020_ifa_Graf_Korn_A_guide_to_Monte_Carlo_simulation_concepts_for_assessment_of_risk-return_profiles_for_regulatory_purposes.pdf

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			risk-mitigation techniques. The German insurers therefore urge to make significant improvements to the proposed solutions. **A level playing field between different products and providers needs to be ensured by EIOPA** In general, the RTS should ensure a level playing field between different types of PEPP, which is a key aim of the PEPP Regulation. However, we are afraid that certain parts of the consultation by EIOPA are not in line with this principle: • The guarantees are on the one hand presented as a negative expensive feature of PEPPs, on the other hand, much higher standards are set on security levels of such PEPPs. • Consumers are made to believe that market risks are negligible in the long run and produce a higher return with no additional risk, pushing particularly vulnerable consumers into aggressive investment strategies. • The different cost structures are not treated equally, in particular allowing PEPP providers to charge high costs at times where consumers saved the most, while not allowing PEPP providers to cover their costs when these arise in products **EIOPAs task is to define technical aspects of PEPP, not to alter risk tolerance of consumers** According to Art. 23 PEPP Regulation, the distribution of PEPP needs to ensure the distribution rules set out by the sectorial legislation. In particular, the PEPP distributor shall ask the prospective PEPP saver about his or her financial situation including his or her ability to bear losses, including his or her risk tolerance so as in order to ensure that the recommended PEPP is suitable for the PEPP saver and in accordance with his or her risk tolerance and ability to bear losses. It is, therefore, important that in particular pension products do respect the demands and needs of consumers that are risk-averse and are not able to bear losses. However, the current consultation paper makes an impression that it is EIOPAs wish to encourage PEPP savers to invest less risk adverse, i.e. in products using life-cycling and smoothing and pooling and rather than in products with guarantees (see also keynote speech by Gabriel Bernardino at the opening of EIOPA's ninth annual conference). This is not in line with the above mentioned demands and needs principles defined in the IDD and similar principles in other sectorial legislation. Furthermore, we agree with the fact that on top of offering protection against investment risks, guarantees are also a powerful tool to nudge more risk adverse savers into saving for their pensions. Consumers need to decide for themselves how much risk they are willing to take and which safety level they need. If the investment in equities is high then over the long-term period the consumers will experience high	

No	Name	Reference	Comment	Processing
			maximum drawdown of their assets. For example, the German index DAX suffered losses that where higher than 70% of the value between 2000 und 2003. Risk-averse consumers are not prepared to see such losses without knowing whether the markets will recover and how long will it take them to recover. If risk-averse consumers are encouraged to make such an investment, they will most likely stop contributing to the PEPP or even take out the money risking additional drawbacks. As is well known, consumers have a tendency towards cyclical behaviour. In general, it is of utmost importance to inform consumers whether they can lose all of the invested capital (maximum loss possible). **Costs of guarantees should truly reflect the (possible) additional costs borne by consumers** According to the PEPP Regulation, there are two types of Basic PEPPs: those that offer consumers a real guarantee and those who only aim to recoup the guarantee at the end of the recommended holding period without any hard promise. Therefore, the first group of PEPPs offer an additional feature which is desired by the Regulation. In case this feature leads to some additional costs for the provider, these should be taken out of the cost cap of the Basic PEPP to ensure a level playing field. It is important to stress that the scope of total costs is already defined in the PRIIPs RTS, since PRIIPs has an "all inclusive" approach towards costs. EIOPAs task is, therefore, to separate the cost burden (e.g. administration costs) that is levied upon consumers in order to manage their guarantee promise. **As the ESAs agreed, RIY is the "most pertinent cost indicator" and should be used instead of RIW** Although RIY is an established indicator for retail products and is preferred by the ESAs in the PRIIPs consultation paper, EIOPA suggests a different cost indicator, the so-called Reduction in Wealth for PEPPs. EIOPA is even referring to the study conducted by the German ZEW: The outcome of the study was that RIY is a superior indicator than RIW. ZEW concluded that RIY has a good interpretability and low sensitivity for different yield assumptions. In general, "RIY is the most pertinent cost indicator for all PRIIPs at the level of overall costs in percentage terms" as the ESA confirmed in the current PRIIPs consultation paper[82].	

[82] Page 38, Joint Consultation Paper concerning amendments to the PRIIPs KID, JC 2019 63, 16 October 2019

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			We believe that RIY is the most appropriate indicator to show the impact of all costs in the PEPP. In their said consultation paper on PRIIPs, according to the ESAs it allows for a fair and meaningful comparison between all types of cost structures, especially taking into account that the timing at which costs are paid can vary significantly between different types of products. We firmly believe that RIY should be kept in the PEPP KID. Our experience is that RIY is well-understood by consumers: In the German market a RIY indicator (Effektivkosten) has been used for several years for Riester pensions and insurance-based investment products. On the contrary, the RIW indicator is misleading for consumers and has severe downsides (see more Details in Q1). In particular, it severely increases with the holding period of the product and makes even cheap retirement products look expensive. We do not see how this should add to the aim of PEPP being a mass product. **As a conclusion, a second consultation is necessary to achieve clear Level 2 provisions** The PEPP Regulation is an important element of the Capital Markets Union that aims at providing a safe, cost-friendly (Recital 51) product that contributes to closing the pension gap. We understand that the PEPP is targeted at the mass market to attract relatively low, ongoing contributions over a long-term horizon. Life insurers are very experienced in taking such type of business. Therefore, we welcome the opportunity to respond to EIOPAs consultation on Level 2 PEPP. We draw our inspiration from our experience with concepts and models used for Riester pensions, which are – like PEPP – offered by different types of providers (in particular insurers, banks, fund managers) with different product features. Yet, concepts and models on risk/reward, cost provisions and performance are widely accepted by all providers and are well-understood by consumers. Unfortunately, it is not easy for us to conduct a thorough analysis of the paper, since many provisions and in particular technical details in EIOPAs consultation paper are either missing, not clear or at times contradicting. We understand that EIOPA was working under high pressure due to the external ambitious timeline set by the Regulation. However, while some content is already presented in terms of Articles, many important PEPP features are not sufficiently clear in order to be properly assessed by stakeholders. For example, • All technical details of the stochastic model to be used for risk, performance and RMTs are missing • It is not clear whether the new concepts ensure balanced and fair treatment of risks and security • The definition of costs of guarantees is not clear and different references to it are contradicting	

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			• The German study on the new cost indicator RIW is wrongly quoted suggesting that RIW is superior, while the study showed that RIY indicator is a preferred one • It is not clear how different cost structures will be adequately considered in the cost cap to ensure a level playing field Furthermore, unclear, missing or unsuitable provisions will lead to legal uncertainty for PEPP providers. Additionally, it needs to be ensured that PEPP providers in different Member States have the same understanding of the Level 2 provisions to ensure cross border distribution of PEPPs. Therefore, since PEPP will have a massive impact on European and national pension markets, we believe that it is of utmost importance that EIOPA conducts a second consultation on concrete proposals. Lessons should be learned from the PRIIPs Regulation where some ill-conceived provisions (e.g. the methodologies for performance scenarios for category 2 and 3 PRIIPs) led to long-term confusion for consumers.	
170.	German Insurance Associatio n (GDV)	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We appreciate EIOPA's intention to specify the use of layering of the PEPP-KID. However, the provision proposed by EIOPA that the layers should not distract from the content of the KID and that information should not be obscured is still too indeterminate. It remains unclear, which of the information stipulated by Article 28 (3) PEPP Regulation has to be included in the main body of the document and which information may be moved into a 2nd or 3rd layer. Considering the civil liability risks connected to incorrect customer information as well as the substantial administrative sanctions stipulated in the Regulation, it would be important for the RTS to define precisely which information has to be presented in layer 1 and which information may be moved to subsequent layers. Furthermore, • the provisions on online layering should be independent of any specific medium or device • concrete provisions on how PDFs for layered documents should look like and how they should be printed on paper are necessary.	Agreed.
171.	VöV	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	**Ensure a fair and transparent cost disclosure** Art. 45 (3) of the PEPP regulation calls to "ensure a level playing field between different PEPP providers and different types of PEPPs". In this sense, the RTS must treat guarantees equally as other risk mitigation techniques (RMTs) and must not discriminate them. The rules for RMTs need to be based on general principles and to apply for all PEPPs in the same way to ensure the level playing field mentioned above. As guarantees of insurance products are specific types of RMTs, the RTS must treat them equally.	Partially agreed, see response to comment number 11.

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			On page 19, EIOPA enumerates “costs of the guarantees, if any” as separate cost category in addition to administration, distribution and investment costs. On the next page, the paper defines costs of the guarantee as “premium charged for guarantees, which reflect the market price of the cover against the risk of financial loss, or limiting the financial loss or the cover of biometric and any other risks”. The VöV does not share this view, as guarantees do not constitute new direct cost and their indirect costs are already captured in the other cost categories. A separate enumeration of explicit and implicit costs of the guarantees would be a misleading double counting and needs to be avoided. The inclusion of a guarantee merely changes the risk-return-profile of a product to fit the customer’s risk preferences. EIOPA’s view is furthermore inconsistent with the corresponding PRIIPs RTS, stating that the cover for biometric risks is not a new cost. The reason for exclusion of net premium from the biometric cost in PRIIPs is that consumers receive a benefit for the net premium – protection against biometric risks. In the same way, PEPP savers receive protection against ad-verse market developments for the net price of the guarantee. The calculation of the indirect costs of a guarantee is therefore not needed in the cost disclosure. As costs of RMTs are not part of the cost disclosure, the implicit and explicit costs of guarantees – that are a specific form of RTMs – must not be enumerated either to ensure a level playing field. Furthermore, the VöV draws attention to the significant methodological problems calculating guarantee costs. There is no generally accepted approach and all attempts underlie numerous assumptions on risk preferences, interest rates, etc. These unsolved methodological issues support the argumentation not to include costs of guarantees and RMTs at all. **Use a comprehensive method for the calculation of cost cap** Within Member States, types and structures of fees and charges vary substantially and the RTS on the cost cap of the Basic PEPP serves to specify how a yearly cost cap can be applied to different cost structures in a meaningful way. This also includes a level playing field for PEPPs with one-off costs, as many insurance products, and PEPPs with linear costs. A cost cap that is based on the average yearly cost load (Reduction in Yield, RIY) is the only approach to properly deal with these differences. Over the term of the contract, the 1 % costs measured in terms of RIY would not exceed 1 % of the accumulated capital per year and thereby comply with Art. 45 (2). This approach would also effectively take into account “the long-term retirement nature of the PEPP” (Art. 45 (3)). The VöV therefore suggest that RIY serves as instrument for calculation of the cost cap.	

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			Similar to types and structures of fees, the distribution regimes between Member States differ significantly as well (e.g.). Several markets prohibit commissions and fees for advice typically replace them as cost factor. These costs are not known in advance to the manufacturer of the Basic PEPP and would probably not be part in calculation of the cost cap. The customer would pay the fee in addition. To create a level playing field between regimes that are commission-based and others that work with fees for advice, the VöV suggest either excluding all distribution costs from the cost cap, or assuring that all fees for advice are properly taken into account in the cost cap. This argument furthermore underlines the need of the RYI-approach, as distribution costs typically arise at the start of the contract, both in commission-based as well as in advice-fee-based regimes. In addition, German law requires insurers to cover their costs on basis of each contract, whereas providers of funds may cover their costs on basis of the collective. A too rigid cost cap that does not allow covering costs on this basis would prevent PEPPs with guarantees from being provided, which is clearly not intended in the PEPP regulation. **Properly exclude indirect costs of guarantees from the cost cap** Recital 55 of the PEPP regulation rightly states that "within that framework, in order to ensure that PEPP providers offering a capital guarantee benefit of a level playing field with other providers, EIOPA should duly take into account the structure of costs and fees." The indirect costs of guarantees must therefore be excluded in the calculation of the cost cap of the Basic PEPP. As elaborated above, the indirect costs of a guarantee are part of the other categories. Guarantees increase the complexity of products and thus their administration, distribution and investment costs. On page 46 of the consultation paper, EIOPA illustrates that average costs of products without capital guarantees are typically 33 percent lower than those with guarantees. The indirect costs of a capital guarantee are thus one third of total costs. To ensure a level playing field, one third of the total costs of products with capital guarantees need to be excluded in the calculation of the cost cap.	
172.	VöV	Q9. Do you have any other general comments to the proposed approaches?	The VöV welcomes the PEPP regulation as a voluntary regime to supplement existing products. The evaluation of the regulation will therefore be market-driven as a result of demand and supply of PEPPs. For the success in terms of consumer demand, it is essential that PEPPs are attractive products for old-age provision, which is a major concern of EU citizens. Capital guarantees and the coverage of biometric risks are thus crucial elements to satisfy the demand for sustainable old-age provision. The regulatory technical standards (RTS) should therefore highlight these features and must not create indirect obstacles for guarantees	Noted.

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			or coverage of biometric risks. A level playing field between different providers is needed to ensure a competitive environment in the interest of consumers. In terms of supply of PEPPs by the industry, lean and pragmatic level II legislation is key. Disclosure requirements must strike the right balance between consumer protection and unnecessary bureaucracy in reporting. Furthermore, the RTS on the cost cap of one percent should incorporate the appropriate factors and avoid a prohibitively restrictive approach.	
173.	PensionsE	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	PensionsEurope agrees with EIOPA that **the presentation of the information documents should be PEPP-specific**, as there is an important need to properly reflect the risk and performance of different investment strategies in the context of the long-term time horizon of the PEPP, which therefore requires tailor-made rules and cannot be derived from previous work on the PRIIPs and IDD IPID. **We welcome that EIOPA is consulting based on mock-ups** and that these templates are being subject to consumer testing. The savers' insights are indeed very important, as they are the end users of these documents, and it is key to pre-assess if the information provided is what is needed, and whether it is easily understandable and readable. As savers are using their smart devices more and more, consumer testing should also be digital. **We praise EIOPA's presumption that these documents will become digital and the use of layers for informing savers.** The necessity of layering derives from the extensive volume of information to be included and from the need to not overload savers with unnecessary information. However, we experienced certain difficulties in assessing the use of layers in the paper-pdf version of these mock-ups. All in all, they look too long and detailed. We fear that they could deter prospective savers from even reading them. Moreover, certain parts of the information provided are not easy to understand and risk creating confusion, especially in those readers with no or limited financial education. We also wonder whether these templates will apply to all kinds of PEPP. In the framework of the consultation, it would have been opportune to have an illustrative Basic PEPP KID provided on the basis of a risk-mitigation technique (life-cycling). Considering that the PEPP Regulation already sets out a long list of information to be included in the PEPP KID and PEPP BS and that this information needs to be complemented by other disclosure requirements deriving from sectorial and national legislations, **we would recommend that EIOPA does not add additional complexities in these documents and to improve the use of layers and visuals to highlight the key information**. **We think that the standard presentation of these documents should only include the information required by the PEPP Regulation at Level 1.**	Agreed.

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			Moreover, to draw savers' attention, key information, as well as using visual icons, pop-ups, drop-down menus and tick-the-box approaches should be allowed. In the development of the templates, it is also important that EIOPA considers that, for young people in particular, mobile devices are now used to access this information and that, therefore, the PEPP KID and the PEPP BS should be suitable to be adapted to smart phones and/or tablets. **We consider these templates a good basis for discussion and we believe there are several areas for improvement and simplification, e.g.:** PEPP KID - Section "What is this product": - The narrative text could be shortened, and the wording could be improved. Describing PEPPs as an "individual non-occupational pension product" is misleading. The definition should be derived from the PEPP Regulation, article 2, par. 2. - The checklist on guarantees/risk-mitigation techniques should only include two choices: "Guarantees" or "Risk-mitigation technique" as is stated in the Regulation. The choice between "guarantee" and "No Guarantee" is misleading because the saver is not informed that there is a risk mitigation strategy in his/her Basic PEPP. Whether it is a Basic PEPP is already stated under "Product Type". - The KID should provide a description of the investment strategy that will be used. - The exact nature of the guarantee should be clearly explained in the KID. - The term "biometric risk" might not be that straightforward for prospective savers. The PEPP KID should explain the exact nature of the risk covered by the additional guarantees. In line with the PEPP Regulation, the impact on cost should also be showed. - Section on "portability": although we are aware that this is only a preliminary example, we note that the text stating "distributing PEPP within the majority of member states" does not reflect the text of the PEPP Regulation, which requires the PEPP to be distributed in at least two member states. - Section on "early withdrawal". In our opinion the suggested text risks creating confusion between early withdrawal and switching rights. Savers don't have the "chance to withdraw from the contract" by calling or writing the provider, as the terms and conditions depend on the national legislation. - Section on "switching rights": similarly, we note a lack of clarity over the rules applicable to early withdrawal and switching. We also note that there are certain points missing in this section: a. The 5-year minimum-holding period; b. The cap on switching costs is limited to actual costs and capped to 0.5% of the current PEPP balance;	

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			c. The wording of this section should be streamlined with the PEPP Regulation: “Upon receipt of a request from the receiving PEPP provider, the transferring PEPP provider shall close the PEPP account on the date specified by the PEPP saver”. - Section on ESG. Provision of ESG information is lacking, except for the short description included in this paragraph. <u>PEPP KID Section: what are the risks and what could I get in return</u> - In our view, the **summary risk indicator** should present the risk of deviating from providing long-term returns above inflation, considering the contribution level and the remaining time until retirement. As explained below, reference to the “retirement objective” is not clear or sufficiently described in the consultation paper. - It is important that the summary risk indicator is presented together with the performance scenarios/pension benefit projections. - **Performance scenarios**: o we would advise EIOPA to remove the reference to ranges of savers’ ages (e.g. 20-30 years old): instead of presenting the risks depending on the age, it would be better to use “years until retirement”, as EIOPA does in the consultation paper (see page 14), as contributions may be better calculated using the latter. o Using ranges instead of fixed numbers poses problems in terms of calculation and accuracy of the information provided. Taking as an example the category “60 and older”, the results will differ consistently in the event of a saver contributing until he/she is 61 compared to another contributing until 71. Therefore, to avoid uncertainty and to reflect the different retirement ages among member states, we would suggest taking e.g. 4 specific dates of years to retirement: 40, 30, 20 and 10 years to retirement. o The cumulated payments should be added to allow the future retiree to compare its cumulated payments with the accumulated capital including the returns. o In the illustrative example A, it is not clear what the “retirement objective” mentioned in the last column refers to. The wording should be rephrased. In our view, the concept of “retirement objective” is not well delineated in the consultation paper. We agree to measuring the risk inherent in PEPP as the dispersion of pension outcomes, but we think this should be linked to the objective of reaching at least inflation (see also our answer to Q3). - Past performance: see below our comments on the BS example. <u>PEPP KID Section: what are the costs?</u>	

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			- **Presentation of costs**: o We note that the consultation document includes descriptions of what is to be understood by ‘administration costs’, ‘distribution costs’, ‘cost of safekeeping of assets’, ‘portfolio transaction costs’ and ‘costs of the guarantee’ (page 19). However, these descriptions do not feature in the text of the draft RTS and therefore their legal value is unclear. We highlight that the introduction of a harmonised taxonomy breaking down PEPP costs is a challenge, due to the different frameworks applicable to PEPP providers and the pan-European nature of the PEPP. o In order to ensure a level playing field between PEPP providers, the definitions for the costs to be disclosed in the KID and BS should be comprehensive and prevent the understatement of actual cost incurred. The RTS should therefore include better definitions, as well as common principles for disclosure. These principles could include: ▪ A look-through approach for investments in investment funds. ▪ Matching principle: Revenues and costs are attributed to the accounting period to which they relate, and costs are stated in the accounts for the same period as the related revenues. ▪ No offsetting of costs against revenues. ▪ Non-recurrent costs should be incorporated. o We note inconsistency in the consultation document on the definition of costs to be disclosed in the KID and BS as ‘Investment costs’ and ‘Asset management costs’: they seem to be used interchangeably in the descriptive text on page 19 and the text of the actual draft RTS article xa on page 29. o The breakdown of costs should include information on the cost of the guarantee, as both examples are guaranteed products. We highlight that, if the cost of the guarantee will be excluded from the fee cap, it is key to include a definition and to disclose detailed information on its nature and related costs. o The methodology used to calculate the cost of the guarantee is not clearly defined yet but should be robust and clear and the same for all EU countries. EIOPA should appropriately consult the stakeholders before finalizing this methodology. EIOPA has taken into consideration opportunity costs (page 30) and the “market price” for guarantees (page 21). However, neither of the two measures are actual charges or fees that a saver pays for directly. Opportunity costs, in particular, are based on assumptions about future returns on different kind of investments and can therefore vary considerably depending on the scenarios on which these assumptions are based.	

No	Name	Reference	Comment	Processing
			○ We would suggest to separately indicate the cost of the advice (taking it out from distribution costs) and to exclude it from the fee cap of the Basic PEPP (see our answer to Q6). ○ The breakdown suggested in example B and at page 20 is not always accurate in relation to investment costs. There are cases where fees for the cost of safekeeping of assets are taken by third providers holding the saver's account. In these cases, they should be excluded from investment costs. ○ The category "other investment costs" should be replaced by "management fees and other investments costs". ○ There could be a clarification that all internal and external costs of the management of assets should be included. Internal costs include personnel costs and overhead related to asset management. External costs include base fees and performance for external asset managers, as well as fees for any other service providers, such as research costs. ○ The monetary disclosure of cost is difficult to standardize in the KID. The assumptions used in the mock-ups of €10.000 accumulated capital and 100 euros monthly contributions are not realistic in many member states, due to income levels, saving capacity and different currencies. - The consultation paper suggests that EIOPA is proposing to follow a **RiW** approach, but the examples provided show costs both as a RiY and a RiW. We note that the methodology for the calculation of the RiW is not described. In our opinion, the RiW should present cumulated costs over the total accumulating period and this should be compared to the total accumulated capital including investment returns with a percentage. All in all, our fear is that the RiW approach will not be easily understandable for savers and it will lead to disclose much higher figures in comparison with the RiY, thus being likely to discourage providers form offering PEPPs and savers from buying. If PEPP providers will disclose RiW figures for PEPPs and RiY figures for national pension products, savers could have the perception that PEPPs are more costly, even when this is not the case. - We also want to point out that the concept of RIY is strongly discussed by the fund industry in the PRIIPS context and that EIOPA should make sure that both regulations come up with the same rules on that matter. <u>Other comments on the PEPP KID</u>: - As for the PEPP BS, the PEPP KID should also refer to national (and hopefully in the future European) **pension tracking service**. These services are set up to provide an overview of the total	

No	Name	Reference	Comment	Processing
			pension entitlements at retirement including first, second and third pillar pensions in some cases. Savers need to look at their individual global retirement situation before taking the decision to subscribe to a long-term product. - **Conditions on good time**: at page 23, article xa, paragraph 2, we highlight that the provision "the person advising on or selling a PEPP shall assess the time needed by each prospective or current PEPP saver to consider the PEPP KID" might lead to severe legal issues and would expose providers to litigation. Moreover, it is not clear how this would work in case of robo-advice. Paragraph 2 should be deleted. <u>Comments on the PEPP BS</u>: - As far as possible, the information provided should not be duplicated and it should not include a narrative summary of all the PEPP features (except for past performance) but only the key information and a reference to the PEPP KID. - **Past performance**: we disagree with EIOPA's suggestion to show past performance as average returns over 10, 5, 3 and 1 year to retirement. In our opinion, only the long-term past performance (e.g. 10 and 5 years) should be shown, as it does not make sense to show short-term past performance in a long-term product with limited liquidity, aiming at capital preservation at retirement age and not every year. Therefore, we would suggest removing references to 3 and/or 1 year and to show average returns on the longest available period, e.g. since the start of the PEPP product. - In addition, we disagree on EIOPA's suggestion to complement the records of past performance with a relevant benchmark. UFR is not a relevant proxy for long-term risk-free rates. The proposed benchmark based on UFR will be completely misleading for savers, and the PEPP Regulation does not require benchmarks. EIOPA should not add complexity and should limit its advice to the technical matters specified by the legal provisions included in the level-1 Regulation, without going beyond them. The tables included in the PEPP KID mock-ups under the section "what are the risks and what could I get in return" should therefore be amended. Finally, we highlight that it would be helpful to indicate that past performance is calculated as annual return. - In the PEPP BS, a single number/percentage on costs should be indicated in layer 1, allowing PEPP providers to detail the break-down of costs in additional layers.	
174.	PensionsE	Q2. Do you agree to approach the areas of risk/ rewards,	Yes, in principle we do agree with EIOPA's holistic approach and we welcome the idea to provide the return assumptions to be used in the stochastic modelling. However, we highlight that some of the elements of the methodology to quantify the risks, rewards and performance of PEPP are not detailed in the consultation paper and would therefore require further	Agreed.

No	Name	Reference	Comment	Processing
		performance and risk mitigation for the PEPP in a holistic manner?	assessment. Moreover, we do not agree on some of the elements identified as building blocks of the methodology (i.e. reaching at least the long-term risk-free rate – use of the UFR, see our answers to Q1 and Q4), and we feel this would change the objective set by the PEPP Regulation (recoup the capital).	
175.	PensionsE	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	PensionsEurope agrees to measure the risk inherent in PEPP as the dispersion of pension outcomes but disagrees with linking it to objective of reaching at least the long-term risk-free rate. In our view, savers may expect that a PEPP product, as a long-term investment, at least gives a return in excess of inflation. Only in this case does saving for retirement makes sense. The PEPP providers should be able to show that the outcome of the investment has a high degree of probability providing long-term returns above inflation. All in all, we believe that the investment objectives proposed by EIOPA are either not feasible or suitable in a PEPP context and go beyond the requirements of the level 1 Regulation. Finally, we note that EIOPA writes in the summary risk indicator section of its consultation, page 15 “The summary risk indicator should link the riskiness of the investment option to the relative deviation of the projected pension projection from the best estimate result”. We do not think either that this is desirable, for the same reasons mentioned above.	Agreed, the provisions have been amended.
176.	PensionsE	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	Yes, we agree that EIOPA sets the key assumptions and inputs used for the stochastic modelling. We regret that the consultation paper does not include detailed information on the stochastic methodology and on the standardised parameters. While understanding the tight timeframe for developing the methodology, we call EIOPA to consult the stakeholders before submitting its technical advice to the COM. As for the basic return assumptions, referred to as “annual rate of nominal investment returns”, it is suggested to use the long-term risk-free rate (Ultimate Forward Rate) plus average long-term risk-premia per different asset classes. We note that EIOPA’s UFR is set at 3.75% for 2020. We consider this far higher than current and, most probably, future financial markets conditions for risk-free rate. Risk premia per asset classes would have to be added to the UFR to communicate a benchmark for the expected performance. This benchmark would not only be very difficult to be achieved, but it could also be confusing / discouraging for savers. In addition, proposing a benchmark goes beyond the level 1 regulation. We believe that there is no need for a “benchmark”, as PEPP is not a mutual fund but a retirement product with a very long-term investment horizon. It would be more appropriate to communicate on the long-term (over a minimum of 20 years) expected returns of each PEPP based on stochastic models.	Agreed, the provisons have been further amended.
177.	PensionsE	Q5. Do you agree that PEPP’s product supervision requires one set of relevant information to carry	Yes, we agree in principle. However, as highlighted in the consultation paper, the “ad hoc” standardized supervisory reporting needs to be as much as possible harmonised with the existing requirements covered by sectorial legislation. Developing a set of relevant information taking into account differences in applicable national legislation of the different home and host countries might in fact turn out to be burdensome and costly.	Agreed.

No	Name	Reference	Comment	Processing
		out the duties of home and host supervisors as well as of EIOPA?	A relevant set of information for EIOPA to carry out its duties could be used to complement the information needed by the home and host supervisors.	
178.	PensionsE	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	**While we reiterate our full support to total transparency in the disclosure of all direct and indirect costs, we are concerned that the all-inclusive cost cap for the Basic PEPP will act as a barrier to the development and market uptake of PEPP across the EU.** PensionsEurope has been against the inclusion of cost caps during the legislative procedure and would like to reiterate the reasons: • the fee cap only looks at costs and charges, while leaving behind considerations on performance; • we believe and advocate for the transparency of costs and fees, which should be fully disclosed. Cost transparency is essential and play a key role in terms of costs reduction; • the competition among providers increases the efficiency of the market in terms of costs reductions; • as in several member states PEPPs will not be the only personal pension products (and where they are, non-PEPP personal pension products may emerge), we fear that capping only PEPPs, but not national pension products, will limit the PEPP market-uptake. National products may provide similar value and better returns. While the impact of costs must certainly be recognized, we believe that **a better approach would have been to focus on value for money for savers**, which means ensuring a high-quality product available at competitive costs. Focusing only on costs runs the risk of driving providers to save on important aspects such as investment design, dynamic allocation and quality of the services/advice. We are afraid that this policy option could lead to practical discrepancies in its application and might even be counterproductive, creating a barrier for financial innovation and for more sophisticated investment strategies that could potentially be able to deliver higher returns, compensating the higher costs. It is true that PEPP providers will be able to offer up to 5 alternative investment options with higher fees and returns, but it is also true that behavioural economics shows that a large majority of savers choose the default investment option and are risk averse. If, on the one hand, it is important to provide savers with easy to understand and detailed cost disclosures and that they get real value for the money they pay for the fees, on the other, it is also important that the PEPP will be economically viable for providers. Otherwise, there is a concrete risk of either having few or no PEPP products on the market or leaving this market only to few large providers. In both cases, the final outcome will be in contradiction with the objectives set by the EU Institutions. This being said, the PEPP Regulation delegates to EIOPA the difficult task of specifying which costs and fees should be included and EIOPA is proposing to adopt an all-inclusive approach. We note that the all-inclusive	Noted.

No	Name	Reference	Comment	Processing
			approach proposed by EIOPA excludes the costs of guarantees and that article xa, page 29 also exempts any costs and fees linked to additional elements or features for the Basic PEPP that are not required by the PEPP Regulation. This shows that **EIOPA's approach is already not completely all-inclusive.** The exemption of the costs of the guarantees can certainly been debated from the point of view of the level-playing field, as certain providers that usually do not include this feature in their product could feel to be disadvantaged, as the precise definition and disclosure of the costs related to the guarantees will be complicated, with risk of loopholes / distortion of comparisons between providers. On the other hand, it could be extremely difficult for providers, to include the cost of the guarantee within the 1% cap. This could *de facto* lead to the impossibility of including guarantees in the basic PEPP. If EIOPA decides to keep this exception, it will then be up to the COM to assess whether the proposed exclusion ensures a level-playing field among providers. If EIOPA confirms its position to exclude the costs of guarantee, all costs of mitigation techniques related to capital preservation at retirement should also be excluded. In our opinion, EIOPA could and should consider that **there is another category of costs, common to all providers which, if included in the fee cap, risks rendering the PEPP to be not economically viable: the costs related to the advice**. We note that, across Europe, there is wide variety of distribution strategies (direct selling, through banks, digital platforms, etc.) and advice models, and costs are currently levied in different ways. The PEPP Regulation requires providers to give mandatory individualized advice prior to the selling of the PEPP, when the switching service is requested and before the pay-out phase. **Firstly, we believe that the inclusion of the cost of the advice in the 1% fee cap for the Basic PEPP will render PEPPs not viable from an economic perspective for providers.** In this regard, we regret that a full impact analysis of the cost of providing investment advice on the PEPP was not conducted during the legislative process. In particular, we note that an assessment of the costs of different advice channels was not included. The PEPP will be a new product that will stand alongside national personal pension products and will have to compete with them. The PEPP Regulation requires a full assessment of an individual saver's personal circumstances including additional pension and long-term savings and tax position, their objectives and risk tolerance. We note that many EU member states do not yet have a fully functional pensions dashboard to facilitate this assessment. Moreover, pension products are less simple and more costly than traditional investment products. All in all, we believe that individual advice is costly and not compatible with a 1% fee cap. One of our members made a simulation to calculate the total fee that a PEPP provider would collect from a worker saving 5% of a gross salary of €25,000, assuming a fee cap of 1%. This illustration is representative of how the PEPP will develop, at least initially, because small amounts will be saved in the PEPP as the tax incentives are likely to be modest. The results are shown in the <u>table below</u>. In a nutshell, the fee collected in	Partially agreed, please see response to comment number 11.

No	Name	Reference	Comment	Processing

the first year would be €12.3 and the total fee that would be collected after five years could be €200. This is the total amount that the PEPP provider, distributor and adviser would have to share for their services, without knowing if the saver would keep saving in the same PEPP, as the saver may decide to switch to another provider after 5 years. Clearly, these are very small amounts. According to their internal calculations, the cost of advice in France can be estimated to be at least €135/€150 (+ VAT) , which means that the PEPP provider would be left with maximum €50-€65 to cover all other costs (manufacturing, administration, distribution and portability costs) over 5 years, i.e. less than €1 per month. Offering the PEPP under these circumstances would not be economically viable.

		Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
Average Salary in European Union 2018 (net of tax/month)							
Germany	2 270						
France	2 225						
Netherlands	2 155						
United Kingdom	1 990						
Belgium	1 920						
Italy	1 758						
Moyenne	2 053						
Annual salary		24 636	25 129	25 631	26 144	26 667	
Inflation (ECB max target)	2%						
Annual contributions	5%	1 232	1 256	1 282	1 307	1 333	
Expected average yield	4%						
Savings		1 232	2 538	3 921	5 385	6 933	**20 008**
Fees	1%	12,32	25,38	39,21	53,85	69,33	**200**

Secondly, we highlight that including the cost of the advice in the fee cap is questionable from the point of view of the savers: having a high-level quality advisory service is essential for savers and is not necessarily in their interest to include this type of costs in the cap.

Thirdly, we do not agree with EIOPA on the considerations included in the consultation paper that online distribution and automated advice will contribute to drive down the related costs, at least in the short-term. We highlight that digital distribution is still very limited and is likely to remain limited in the coming years. While there are a number of providers relying on digital distribution and automated advice, the total AuM remains low and opportunities for growth are increasingly seen as lying within hybrid models, where traditional distribution channels use a number of the techniques used by digital advice models. Many savers still prefer

No	Name	Reference	Comment	Processing
			arranging face-to-face meetings to be advised on such an important matter as individual pensions and we note that there is still saver resistance to the adoption of digital advice, particularly by many of the cohorts most likely to benefit from the PEPP. See for example a recent FCA Insights paper from November 2019. This report also highlights other hurdles, such as basic trust in financial corporations, socio-economic status and the complex question of savers' trust in their own judgement or that of their friends and relatives. Moreover, we note that a growing number of robo-advisers have been discontinued recently in Europe, thus confirming that digital distribution is not the (yet) the standard solution. For instance[83]: - At the end of October 2019, Allianz has decided to pull out of Switzerland's digital investment management market, because the market still lacks "the expected momentum", becoming the latest major player in Europe to shut a robo-advice service. - Dutch lender ABN Amro earlier this year closed Prospery, its German online wealth manager, just over a year after its launch because the service failed to attract enough investors. - Santander, Spain's largest bank, recently folded Sina, its German online investment manager, less than two years after its inception, while US mutual fund giant BlackRock ended a partnership with German robo-adviser Youvestor less than 18 months after its launch. - Amundi, two years ago, launched a robo-advisor for employee savings and retirement plans. The results are promising, as it helps current savers to optimize their asset allocation, but also show that recruiting new savers requires human interactions. All in all, while we recognize the opportunity for digital advice to provide savings solutions, **we believe it is still too early to rely on digital advice as the default approach to provide advice on PEPP.** **Fourthly, there we see a number of operational issues**. The PEPP Regulation doesn't describe clearly and precisely the legal standards to which advice has to be provided. This implies that the current complex European regulatory frameworks such as MIFID will apply. Moreover, the assumption made is that the PEPP will be offered as part of an integrated offering, but it is equally possible that there will be a pan-regional or pan-European administration and record keeping platform using the management skills of different managers. If advice is provided by the investors' own adviser how will platform and adviser communicate regarding the cost of advice to ensure that advice remains below the cap? It is possible that the advisor may well be advising their client on a number of different issues – how then will they be able to separate out the cost of advising on the PEPP from advising on other aspects of an individual's portfolio?	

[83] Source: Sandra Heistruvers, article published on 29 October, 2019 in Ignites Europe (link).

No	Name	Reference	Comment	Processing
			Against these considerations, at this state in the development of the PEPP, we recommend that advice costs are separately disclosed in the breakdown of costs and not included in the cap. **We believe that EIOPA, in its technical advice to the European Commission, should at least raise the issue that the inclusion of the cost of the advice risks hindering the PEPP market uptake, preferably suggesting the Commission tackles the issue at the level 1-Regulation.** In this regard, art 45 of the PEPP regulation allows the Commission, after having consulted EIOPA and, where applicable, the other ESAs, to make a first review of the fee cap percentage value, taking into account, in particular, the impact on the availability of PEPPs. This review can be done two years after the date of application of the Regulation, scheduled at end of the 2021. So, this review could take place in 2024 with possible needed adjustments in 2025, meaning in 5 years. This would be an unacceptable delay for PEPPs. Finally, on top of these considerations, we would also like to make some comments on potential issues coming from the inclusion of **transaction costs** in the fee cap: the inclusion of these costs risks to disincentive active investment strategies, leading potentially to lower returns. This would not benefit savers and will certainly not incentivise investments in SME's and infrastructures, as desired in the CMU initiative. In addition, there is no indication as to how transaction costs will be calculated – either using half-spread or slippage and we are aware there have been several issues on using slippage in PRIIPs. Should the slippage method be imposed for equity instruments, it could result in implicit transactions up to 1%, i.e. the entire fee cap.	
179.	PensionsE	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	PensionsEurope support the aim to develop innovation and good outcomes in risk-mitigation, and we appreciate that EIOPA lists a wide variety of risk-mitigation techniques and guarantees suggesting a flexible framework. We note that the very distinct nature of these techniques and guarantees makes it complex and difficult to compare the products they are linked to. We support EIOPA's position to adopt a "principle-based" approach for the risk mitigation techniques and underline that PEPP will require providers to offer personalization and innovation for this new product and flexibility to design the most appropriate individual glide path for life-cycle strategies. We wonder whether imposing minimum/maximum thresholds per asset classes at different points in time will not hinder these objectives. Perhaps, a better approach to reach a high degree of protection could consist of showing the probability of a given investment strategy to recoup the capital invested at the end of the accumulation period. This would be calculated using a stochastic model to simulate a distribution of investment returns. We note that EIOPA proposes setting the minimum probability of capital preservation at 99%. Many potential PEPP providers are facing a huge challenge with the long-standing zero, if not slightly negative interest rates environment. Based on current and most probably future financial markets conditions and on EIOPA's expectations in relation to the objectives, we consider this percentage too high. In addition, this level is too close to the 100% probability of the "Guaranteed Capital PEPP". In our view, with the Basic PEPPs, savers should	Agreed, the requirements have been further amended.

No	Name	Reference	Comment	Processing
			have the opportunity to choose between a formal guarantee with lower return and an alternative option with a high probability of capital preservation targeting higher expected returns. This would also be in line with the EU objective to promote the Capital Market Union with more investment in equities over the long term. Therefore, we consider the two proposed levels of probability of capital preservation at 99% and 95% too tight and we think they should be softened. As EIOPA has not included the financial market assumptions on which these figures are based, it is unfortunately not possible to be make more comments. We call on EIOPA to further consult the stakeholders on this. We support the ability with the saver's consent to extend the last phase of the life cycle. In article xb, par. 3, page 33 we note the requirement to invest predominately in liquid, fixed income investments. While this may be appropriate for a retirement pathway into an annuity or capital withdrawal, this appears less appropriate for an income draw product where current life cycling design continues to recommend an allocation of 30-40% during the decumulation phase in order to be able to deliver the stable income required in retirement. The use of the work "predominantly" assumes at least a majority allocation – a more flexible approach to income draw down pathways would mean we recommend the use of different terminology such as an "appropriate balance". At page 30, we note the comment that transaction costs may be higher in actively managed portfolios. We underline that pension providers assess transaction costs carefully as part of best execution requirements. Unlike fixed management and administration costs which reduce overall net returns, transaction costs usually do not accrue to the PEPP manager but are incurred on the basis that an investment decision will contribute to delivering the best outcome so a higher cost may be incurred. If an active decision results in a higher cost this is usually because of a decision has been made following expected long-term performance. It would be a mistake to rely solely on transaction costs in determining the effectiveness of an investment strategy without looking at expected returns.	
180.	PensionsE	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	As for the cap on costs and fees, we believe the analysis included in the consultation paper explaining EIOPA's approach, article xa included at page 29/60 and the succinct analysis included in Annex I, is not complete and that EIOPA should work and enrich the IA further. The data and analysis reported in the annex is of difficult comparability and relevance: - EIOPA's First report on costs and past performance" explicitly recognises that "meaningful comparison has not been possible" for PPPs. - The other data reported show the difficulties of including certain costs within the 1% fee cap (see for instance data on costs of financial advice). We highlight that these data refer to financial advice – including pensions advice. As mentioned, we believe that mandatory personal pension advice is far more complex and costly.	Agreed, the impact assessment has been further developed in this regard.

No	Name	Reference	Comment	Processing
			- The OXERA study refers to mandatory DC pensions in Poland. We highlight that there are important differences in terms of costs between mandatory and voluntary products, as mandatory pensions do not have (or have lower) distribution and advice costs. - Annex I report data from the SRI calculated by COVIP, the Italian NCA, for 2016. Looking at 2018, the average yearly costs of Italian PIPs are from 1,88 to 2,71% depending on the type of investment strategy. If, instead of the 10-year period, a 5-year time horizon is taken (horizon in line with the right of a PEPP saver to switch provider) costs would raise considerably. This shows how difficult it would be to stay within the cap imposed by the PEPP Regulation.	
181.	PensionsE	Q9. Do you have any other general comments to the proposed approaches?	No other general comments.	
182.	PensionsE	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	Yes, please see our considerations on robo-advice in Q6. In addition, we highlight that national pension tracking services and the ETS are being developed to provide savers with an overview of their total pension entitlements at retirement, including first, second and third pillar pensions. However, tracking services are not operational yet in many Member States. These systems should be used to allow individuals to evaluate their total pension income and their need to increase contributions or purchasing an additional product. Is important that PEPPs will be integrated in these systems and not developed as a stand-along framework.	Noted.
183.	Allianz SE Germany	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	It is important that information is presented in a way that is understandable for the consumer. This requires taking the time horizon of the product into consideration. The core information should be presented in the top digital layer (digital first) It is difficult to reconcile the examples of the documents and the concepts discussed in the CP. For instance RIW is not used in the mock-up KID costs disclosure but a completely different concept which in turn is not mentioned in the CP. The cost disclosure is based on an accrued capital of 10,000 €. This does not scale well. The 95 € per year is quite misleading as the contract shown has regular premiums. For instance in the first year the cost cap allows at most 12 € of cost, at least if the interpretation of the costs cap from the CP is used. The percentage values given in the mock-ups are more helpful. However, they need to be annualized. Otherwise, costs factors with different reference values (e.g. based on premiums or fixed amounts) will not be represented fairly.	Agreed, the templates have been further clarified and amended.

No	Name	Reference	Comment	Processing
			Allianz has good experience with RIY indicators, especially for contracts with regular premiums. Also the ZEW study which is mentioned in the CP comes to the conclusion that RIY is better than RIW. The ZEW study was the basis for the decision of the German legislator to use RIY for state subsidized products (Riester- und Basisrenten). The way the risk indicator is presented it remains unclear whether a higher number means a higher risk or vice versa. The probability of meeting the retirement objective is mentioned. A higher probability of meeting the retirement objective would mean less risk. So does a high number indicate a high risk or a high probability of meeting the goals? Although, inflation is mentioned several times in the CP both in the context of performance as well as risk there is no presentation of inflation in the KID. It is important that inflation is presented as loss of purchasing power of the currency and not as something product specific. Simply presenting performance in real values is not well understood by consumers. As both the premium payments as well as annuity payments represent long-term cash-flows the real values would be different for every payment. The last premium payment is often just a month before the first annuity payment. It is therefore better to explain the principle in general instead. The KID should provide the value of the lump sum/monthly payments that the saver can expect to obtain under a best, favorable and unfavorable scenario, as shown in the PEPP KID illustrative examples A and B. And in our view, the value of the lump sum/monthly payments that a saver can expect • under the best estimate scenario should correspond to the mean (average or median) value of assets generated by the stochastic simulations. • under the favorable and unfavorable scenario should be calculated using suitable quantiles or standard deviation of the probability distribution. Regarding the benefit statement it is not clear how different compartments would be presented. Past performance in benefit statement: This would be more useful if it were based on the performance of the actual contract, i.e. last year and from the beginning. For instance with a life cycling approach a contract which started earlier will have a different performance as the asset allocation is different.	
184.	Allianz SE Germany	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	The CP seems to imagine an individual risk perspective. A "desired pension outcome" is mentioned as a benchmark in the context of the risk measurement. Surprisingly typical risk types like market risk, credit risk, liquidity risk are not used. On page 13:	Partially agreed, the CP set out the objective from the perspective of an individual saver, yet

No	Name	Reference	Comment	Processing
			…relative riskiness and performance: *- Inflation-protected accumulated savings,* *- Reaching at least the long-term risk-free rate,* *- Limiting the dispersion of the future PEPP benefits.* How this is supposed to be measured remains rather vague. Also it is unclear why limiting the dispersion of benefits is a generally desired pension outcome. Dispersion can also mean upside potential especially if the downside risk is limited via a guarantee or other RMTs. How comparability of PEPP risk disclosures against that of other products (e.g. UCITS KIID or PRIIP KID) is to be enabled remains unclear. This will further increase the costs of PEPP advice, as article 34 requires preexisting contracts to be taken into account in advice. Furthermore, to outperform the risk-free rate or inflation, risks have to be taken which seems to be in contradiction to limiting the dispersion. It is unclear how these approaches are supposed to be combined. Measuring risk as “standard deviation from the mean” as mentioned in the CP has the similar problem that this also includes positive deviations from the mean. The application of RMTs means that the distribution of returns will not be symmetrical around the mean return. Therefore a measure that specifically captures downside risk would be more appropriate as it would coincide better with what consumers usually consider a risk Past performance (which observes only one scenario) may not be available and suitable for many of the products. To evaluate potential product features it may be necessary to look at many different possible scenarios. This allows assessing how products could cope with and behave in diverse market scenarios. Looking at the different RMTs, the inclusion of past performance may not be possible or meaningful for a number of products. Simulating past performance where no performance history is available may result in misleading figures and does not add valuable information to the customer. It might be difficult for consumers to understand the limitations of simulated past performance. As a result, past performance is not a good indicator for products which offer guarantees or other forms of risk mitigation. All products with RMTs will have changing asset allocation over time. For many products the asset allocation will also be path-dependent. Therefore the same rules should apply as for structured UCITS i.e. no past performance in the context of performance scenarios. Although past performance is not an indication of future performance, it can be of interest for consumers as additional information to see how the product would have performed in the past including the risk mitigation techniques that will be modeled with the same past timeline. Nevertheless, past performance depends on the product nature. For example, for products with path dependencies showing the past performance will depend on many factors. We believe a good approach to this	the PEPP is expected to be managed on a portfolio basis.

No	Name	Reference	Comment	Processing
			is to define a set of parameters and let the product provider decide on the way past performance should be shown. It can be a historical time series, or a performance table with several paths for example Disclosure of past performance is more meaningful in the benefit statement where there is no uncertainty on asset allocation left and the past performance can actually be measured.	
185.	Allianz SE Germany	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	We agree that a forward looking stochastic model should be used to determine the distribution of possible product returns. Different measures can then be applied to judge the risk level and effectiveness of different RMTs. We consider it important that an uniform approach is used across the whole scope. Furthermore the model and its parameters should be specified by an independent entity. The dispersion of outcomes is not a good measure for risk in this context. The use of RMT means that the distributions of possible outcomes will not be symmetrical. Thus limiting the dispersion might limit possible returns without decreasing risk. For instance if you take a product with a guarantee of the premiums paid. Increasing the costs will lower the dispersion without reducing the risk. We are against using the ultimate forward rate as a benchmark / long-term risk-free rate as this is implying that a certain return can be reached without risk. The UFR itself does not represent the risk free rate but is a forward rate which serves as a parameter for the interest rate curve. The resulting interest rate curve is much lower than the UFR.	Agreed, the requirements have been amended in this regard.
186.	Allianz SE Germany	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	The model and its parameters should be set by an independent body in order to promote comparability and a level-playing-field. Only setting key assumptions will not be enough. Cf. Q3	Partially agreed, EIOPA has to act on its empowerment, which cannot be outsourced.

No	Name	Reference	Comment	Processing
187.	Allianz SE Germany	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	The question is whether the level 1 text requires that the costs do not exceed 1% of the capital over the term of the contract (i.e. based on the average capital) or whether that really needs to be 1% of the current capital at any moment in time as the CP text seems to imply. If the cost cap were based on annualized figures the total amount of costs would not be changed. But it would allow a costs distribution over time that would allow an adequate and prudent cost calculation for the providers. Costs are often taken based on different reference values and at different points in time, e.g. as a percentage of the premiums, as a percentage of the assets under management, a fixed amount or in the case of fee based advice based on the time the advice takes. Therefore all costs have to be converted to a common reference value. The obvious solution would be to use the RIY which measures the costs based on the invested capital in an annualized form. This could be capped at 1% such that the costs would not exceed 1% of the capital on average. However even if RIY is not used there is a need for uniform rules on how the costs have to be converted to the common reference "capital". Otherwise a forward-looking cost calculation would not be possible if there is too much room for interpretation. For instance in Germany insurers have to set costs in advance for life insurance products and have to inform their supervisory authority of their cost calculation. They have to be able to show that the calculated costs cover the actual costs in all likelihood. The cost parameters are part of the contract and cannot be changed for existing contracts by the insurer. If the very literal approach of taking 1% of the current capital were implemented there are several downsides: • Providers might not offer contracts against "small" premiums. Or they might not be able to offer at all, if this type of costs distribution is deemed non-compliant with supervisory law. • Providers might make it their business model to become the "second provider", i.e. trying to poach customers from other providers after five or even ten years. The second provider can offer a lower cost rate (measured as a percentage of the current capital) and still have higher margin since the capital in the contract is already higher. • It is unclear how cost of advice can be redeemed. Especially if a customer changes contracts after five years it will be impossible to earn the cost of advice as the capital is very low in the first years. If the cost of advice is to be included in the cost cap it is vital that an approach based on annualized costs is taken. It is impossible to include advice if a non-annualized approach is taken. Moreover it is unclear how fee based advice can be taken into consideration. The costs of fee based advice is not known to the product provider. Also it often has to be paid up-front as a lump sum. However assuming a premium of 1000€ only 10 € can be taken from the contract in the first year. The fee will usually be significantly	Disagreed, the design of the cost cap is set out in the PEPP Regulation.

No	Name	Reference	Comment	Processing
			higher than that. Does that mean that the product provider has to add money to the contract in order to compensate for the fee of the advice? Cost of advice should be kept outside of the cost cap as solid advice for individual saver should take personal situations, retirement goals, other savings etc. into account. This can be not done in a meaningful way without significant resources and financial support of such advice. Advice for a younger person might be easier and more straightforward, but older consumers require more attention and care. Any inclusion of advice in the cost cap will massively affect the success of PEPP. Current examples from the market show, that current retirement savings products are not taking advice into account. In the context of the cost cap it is important to notice that EIOPA does not give a definition of the cost of the guarantee. It is clear that a guarantee has an impact on the risk/return-profile of a product. But all RMT have an impact on the risk/return-profile. Reducing the risk will always have an impact on possible returns. Costs of the guarantee are mentioned several times in the CP. On the one hand it appears that EIOPA is thinking of opportunity costs: cf. page 31f *Guarantees* *Guarantees are an applicable risk-mitigation technique.* *Individuals show a natural bias towards 'safe' and predictable outcomes and value those benefits higher than the disadvantages of potentially lower returns.* *The long-term low yield environment made offering guarantees relatively expensive, so that guaranteed rates have been significantly lowered or are not being offered any more. Relevant, explicit and comprehensible disclosures for the (prospective) PEPP saver are of paramount importance to understand better the value and the (opportunity) costs of guarantees. In particular, the impact of inflation, and the value of guarantees in monetary terms after inflation, needs to be made clear to consumers.* However opportunity costs are not costs in the traditional sense of fees or charges to the customer. Opportunity costs measure the benefits a customer misses out on when choosing one alternative over another. It is unclear which two alternatives should be compared here since there is no standard RMT which serves as a benchmark. However EIOPA seems to imply exactly that on page 29:	

No	Name	Reference	Comment	Processing
			3. If the Basic PEPP provides for a guarantee on the capital, the costs directly linked to that capital guarantee on top of the risk-mitigation technique applied to reach a high probability to recoup the capital and charged by the PEPP provider shall not be included in the costs of paragraph 1. On page 20 the market price of the guarantee is mentioned. It is unclear what is meant by that exactly. However the use option prices might be the idea behind that. *Costs of the guarantee: premium charged for guarantees, which reflect the market price of the cover against the risk of financial loss, or limiting the financial loss or the cover of biometric and any other risks.* It is important not to mix different concepts. If there are explicit guarantee costs these should be made transparent. However, it would be misleading to count lower probabilities of high returns twice: once in the performance section and then again as implicit guarantee costs. A clear definition of guarantee costs is needed. Only guarantee costs charged to the customer can be counted as costs in the sense of fees and charges. A discussion whether to include guarantee costs into a costs cap only makes sense for explicit guarantee costs Regarding transaction cost, we think it should also not be included in the cost cap. As this might lead to missed opportunities because those costs relate to the cost of purchase of securities in an attempt to achieve a positive performance. The higher return expected from the purchase and sale of securities is good for PEPP savers. It would also limit the possibility of running a life cycle strategy over different asset classes where the sell and purchase of instruments is part of the risk mitigation process.	
188.	Allianz SE Germany	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	Principle based and uniform rules for all RMT, especially uniform measurement of risk and risk mitigation. The use of a stochastic model is already mentioned in the CP. It is important that a common standard is used for all products in order to ensure comparability and a level playing field. No different treatment for RMT which provide a guarantee. Especially only mentioning inflation in the context of RMTs with a guarantee as implied on page 34 is creating an un-level playing field. Risk mitigation techniques should include options and derivatives. Just to make sure we are specific enough in case we need such instruments. Generally, a good life cycle strategy design can lead to very high probabilities of recouping capital over a longer investment horizon. All RMT should permissible if they can be shown to meet the principles and mitigate the risk according to the agreed upon measurement Young investors have a greater capacity of taking investment risks.	Agreed, the proposals allow for a consistent measurement of the effectiveness of risk-mitigation techniques.

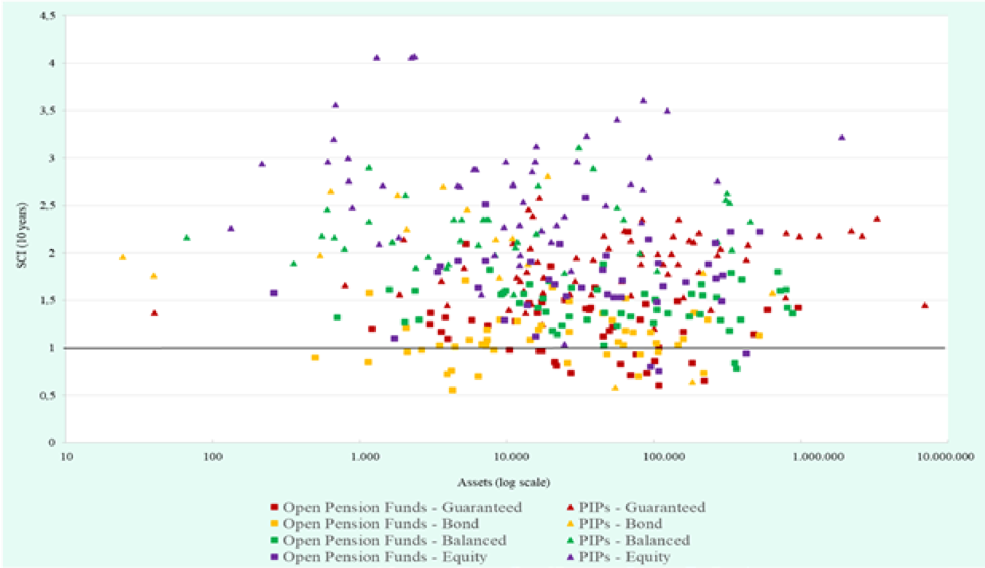
No	Name	Reference	Comment	Processing
189.	Allianz SE Germany	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	We think the impact assessment for the fee cap should be strengthened by more data on the cost of providing advice.	Agreed.
190.	Allianz SE Germany	Q9. Do you have any other general comments to the proposed approaches?	**UFR as long-term risk-free rate** UFR is the rate to which the risk-free Solvency II yield curve is extrapolated to after the last liquid point. It is not the risk-free rate. It is a specific technical parameter for SII calculations. It is a forward rate and not a spot rate – thus not a suitable benchmark. Furthermore it already includes an expected inflation rate. **RIW vs RIY** Consumer protectionists claim that RIY is overly dependent on assumptions (cf. page 42 of CP). However RIW is dependent on the same assumptions. Moreover it is even more dependent on the duration of the contract than RIY is. The ZEW study which is quoted in the CP shows that RIY is more robust., The was study financed by the ministry of finance (BMF) which commissioned the Leibniz Centre for European Economic Research (ZEW) to conduct a research on transparency of Riester (cross sectoral pension products). In particular ZEW analyzed the comparability of costs. In the end the BMF decided to go with RIY for the state subsidized pension products (Riester- and Basisrenten). As these products are offered by providers from different sectors this might be highly relevant for the PEPP product. Unfortunately the results are only available in German. Summary by BMF (Ministry of Finance): https://www.bundesfinanzministerium.de/Content/DE/Monatsberichte/2010/09/Artikel/analysen-und-berichte/b03/b03-Transparenz-von-privaten-Riester-und-Basisrentenprodukten.html To quote: „Aus theoretischer Sicht können Kosten sowohl in absoluten Beträgen zusammengefasst als auch als Kostenquoten (in Bezug auf die Beiträge) oder als Renditeminderung, die im englischen Sprachraum und auch in der deutschen Fachdiskussione üblicherweise als „Reduction in Yield“ bezeichnet wird, ausgewiesen werden. Beitragsbezogene Quoten und Renditeminderung können im Vergleich zu absoluten Beträgen besser interpretiert werden und reagieren weniger stark auf unterschiedliche Renditeannahmen. Besonders geeignet im Hinblick auf ihre Robustheit für unterschiedliche Renditeannahmen ist die Reduction in Yield.“ The study: ftp://ftp.zew.de/pub/zew-docs/gutachten/ZEWAltersvorsorge2010.pdf cf. top of page 5 for robustness of RIY (=Renditeminderung)	Partially agreed, the requirements have been amended.

No	Name	Reference	Comment	Processing
			Reduction in wealth in the ZEW study (cf. pages 43 and 44, footnote 32). RIY has the same reference value as cost cap while RIW has a different reference making it difficult to understand. A cost cap of 1% but costs of more than 30% will be confusing for average customer. The CP contains the claim that RIW reflects the long term nature of PEPP products better. However, we consider the aggregation of costs over the duration to be misleading: In finance costs are usually measured per annum as is also foreseen in the level one text definition of the cost cap. Also other product disclosures use annual costs figures including UCITS, PRIIP and several other national costs disclosure requirements measure costs per annum. According to the nature of the RIW concept a product with costs of 0,8 % of the accrued capita per annum and which is held for years 25 years would be cheaper than a product with lower annual costs of 0,7 % but is held for 30 years. It makes little sense to say that a fund which is held for two years is twice as expensive as a fund which is held for one year. Why does approach become valid for long term products? Impact **biometric risk premium** on investment (page 11). Why is a different definition used than for PRIIP? Either the PRIIP definition should be used or the biometric cover could have its own cost / benefit presentation. **Inflation / labor costs** Inflation and the trend in future wages are supposed to be taken into account. EIOPA describes the challenges this entails (pages 17ff) but no solutions. The examples seem to imply that only real values are shown. However, only nominal values can be compared to other product disclosures like PRIIP and UCITS. Inflation should be explained to the consumers but not as part of the product disclosure as it depends on the place of residence and not on the product choice. **Establishing reserves as RMT** The description in the CP sounds as if a new general account has to be created for PEPP products. This goes against the general collective idea of insurance products. It is also not beneficial for customers as creating a new general account in a low interest environment will result in low return. It also goes against the idea of creating economy of scale effects.	
191.	Allianz SE Germany	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We welcome the introduction of digital propositions for the PEPP particularly for information provision. However, we believe that the current automated advice world is not yet ready to replace traditional advice. Giving sound, individual advice regarding a personal retirement goal requires in depth analysis of individual situations.	Agreed.

No	Name	Reference	Comment	Processing
			For younger savers, a simpler approach even within a automated advice environment could be sufficient and providing the required insights. As soon as the individual situation is more complicated and requires taking into account e.g. the existing 1st and 2nd pillar benefits an individual can expect (plus e.g. other forms of potential retirement income such as rent from real estate, stock etc) the current automated advice is at its limits and a thorough analysis is required as those other sources of income can greatly affect e.g. savings rates (required) and asset allocation.	
192.	Assogestioni	Q6. Do you agree with the 'all	Assogestioni supports an 'all-inclusive' fee cap that would stimulate more competition in the personal pension market but it has strong concern with the current proposals. If most potential providers are unable to develop an economically viable business model for the PEPP, the market will remain fragmented and competition will not increase. Consequently, consumers will not benefit from the expected benefits of the PEPP in terms of product choice, quality of advice and value for money. In order to prevent the competitiveness of the PEPP market from developing, we support the following changes to the types of costs in the cap: - the cost of advice should be outside the cap; - the cost of the guarantee should be inside the cap; - both explicit and implicit transaction costs should be excluded from the cap. The cost of advice. The sale of PEPPs must necessarily be combined with advice (article 34 of the PEPP regulation). In view of this, the PEPP provider or distributor shall (i) specify, on the basis of information obtained from the costumer, the demands and the needs of the costumer, (ii) provide the prospective PEPP saver with objective information about th PEPP to allow the PEPP saver to make an informed decision, (iii) ensure that any contract proposed is consistent with the constumer's PEPP demands and need. The PEPP provider or distributor that provides advice prior to the conclusion of a contract must also provide the costumer with a personalised recommendation explaining why a particular PEPP, including a particular investment option, would best meet the PEPP saver's demands and needs. The process of collecting and evaluating information required by the PEPP regulation will be quite complex and time consuming. We believe that technology may make a significant contribution in the future, however current experience around Europe suggests that the obligations imposed by Article 34 of the PEPP Regulation for the provision of regulated advice will not be met by current robo-advice offerings and will require face-to-face advice. Furhtermore, the PEPP will be a new product, which will compete with existing local pension products, which means that much will have to go into marketing the product and how it sits alongside existing personal pension products, other long-term savings and retirement products and how it complements existing national pension savings.	Partially agreed, please see the response to comment number 11.

No	Name	Reference	Comment	Processing
			Therefore, we strongly support an exclusion of advice costs, in order to give a chance to the PEPP to be provided in accordance with the fee cap. Such an approach would prove more attractive to different type of providers. Once the dynamics of the new PEPP market are more clearly established, a review of the fee cap structure could be considered. In the meantime, the advice cost should be fully disclosed to consumers, so that they can make informed decisions. The cost of the guarantee. Excluding the cost of return guarantees from the calculation of the fee cap would unlevel the playing field with respect to PEPPs and providers that do not offer guarantee. Also such cost should be included in the calculation of the cap. If this inclusion is at some point assessed to exclude too many providers from the market, we believe that the adjustment mechanism built in the PEPP Regulation is not the exclusion of some kinds of costs (that would unlevel the playing field), but a revision of the level of the cap, to be applied to all PEPPs and their providers. Transaction costs. Both explicit and implicit transaction costs should be excluded from the cap. Transactions costs are not payments to fund managers; they are a necessary part of delivering well-designed life-cycling strategies in the markets and managers' fiduciary obligation to investors when incurring transaction costs on their behalf is comprehensively regulated under the MiFID 2 best-execution rules. Transaction costs arises both when investing new contributions (total cashflow) and to achieve positive performance (discretionary trading activity). The inclusion of transaction costs in the fee cap would limit the number of portfolio's transactions, with the consequent risk of resulting in missed opportunities to make gains or limit losses. It would also seriously limit the possibility of running a life-cycling strategy with a sophisticated risk management process investing across different asset classes and financial instruments. Since the costs of transactions in equity instruments are explicit, bond strategies may be preferred, if only explicit cost would be excluded from the cap. This would be detrimental to PEPP savers. In addition, there are a number of operational challenges in the quantification of transaction costs (please see Assogestioni's response to PRIIPs consultation) and on how it will operationalise a charge cap included transaction costs. Evidence of the costs for pension products in Italy. Please find herewith some evidence of the costs of distribution and advice for pension products in Italy on the basis of information available on the COVIP website, in order to show the challenges of including the cost of advice within a 1% charge cap.	

No	Name	Reference	Comment	Processing
			The Synthetic Cost Indicator (SCI), the figure taken as reference in the table below, is expressed in percentage terms of accumulated capital and includes all kinds of costs, including the cost of the guarantee (where the guarantee is provided), but excludes transaction costs and performance fees. There are two kinds of personal pension products (PPPs) in the Italian market: • Open pension funds (so-called 'Fondi pensione aperti') - they are UCITS-like pension plans open both to individual and to occupational members. The open pension funds are offered by different kinds of financial companies (asset management companies, banks, insurance undertakings) and are officially classified as IORPs. • Insurance-based personal pensions ("PIP") - they are open only to individual membership and can be offered only by insurance undertakings. Both types of PPPs usually have three to five investment options, including a guaranteed option. Figure 1 shows that very few PPPs are being offered in the Italian market within a 1% cost threshold. Basically, those products are open pension funds following a fixed income investment strategy or offering a guarantee. Only three products offering an equity based strategy are below the 1% cap.	

No	Name	Reference	Comment	Processing
			Figure 1  This finding confirms our view that including the costs of advice in the 1% fee cap would reduce very much the possibility of offering life-cycle investment strategies because those strategies involve maintaining a high level of exposure to equity and less liquid assets in the early phase of the accumulation phase. Table 1 below confirms that a substantial part of the costs is used to remunerate the costs of distribution and advice. These costs can be estimated by calculating the difference between the Synthetic Cost Indicator of PPPs (Open Pension Funds and PIPs) and Contractual Pension Funds (Fondi pensione negoziali), which are the most important kind of occupational pension funds existing in Italy. Typically, these funds are established at industry level and dedicated to workers for which the relevant national labor contract applies. These funds are run as non-profit institutions and are offered directly to workers. As a consequence, they do not have to pay for the distribution and advice services offered to citizens saving in a PPP. This is the main reason why the cost	

No	Name	Reference	Comment	Processing
			of contractual pension funds shows in Table 1 is considerably lower than the cost of open pension funds and PIPs.	

Pension Funds and PIPs - Synthetic Cost Indicator by type of investment sub-fund
(end-2018 data or more recent data available; percentage composition)

Type of investment sub-fund		Average	*Minimum*	10 years *Maximum*
Guaranteed sub-funds	Contractual Pension Funds	**0.47**	*0.31*	*0.87*
	Open Pension Funds	**1.21**	*0.60*	*2.22*
	PIPs	**1.87**	*1.20*	*2.58*
Bond sub-funds	Contractual Pension Funds	**0.36**	*0.16*	*0.81*
	Open Pension Funds	**1.10**	*0.55*	*1.71*
	PIPs	**1.95**	*0.58*	*2.81*
Balanced sub-funds	Contractual Pension Funds	**0.35**	*0.18*	*0.81*
	Open Pension Funds	**1.44**	*0.78*	*1.88*
	PIPs	**2.24**	*1.56*	*3.11*
Equity sub-funds	Contractual Pension Funds	**0.39**	*0.22*	*0.81*
	Open Pension Funds	**1.69**	*0.75*	*2.58*
	PIPs	**2.72**	*1.04*	*4.07*

No	Name	Reference	Comment	Processing
193.	Insurance E	Preliminary comment	Beyond the content of EIOPA’s proposals, the insurance industry is particularly concerned that the very short timing foreseen to develop the PEPP level II technical standards will prevent a smooth, transparent and efficient process. The wide range of issues to be dealt with by EIOPA requires substantial works as it touches upon many technical issues that are completely new at EU level eg. risk mitigation techniques and pricing regulation.	Noted.

No	Name	Reference	Comment	Processing
			Beyond the PEPP itself, EIOPA's works could set an example, establish a reference, which could have an impact on national pension systems and related regulatory frameworks. We can already witness that some discussions currently taking place at national level are operating under the light of PEPP developments. Against this background, we urge EIOPA to take the necessary time to deliver on this challenging task. It is indeed important that the development of the PEPP technical standards should be made in one go to avoid unsuitable products being sold to consumers and to ensure that eligible providers are in a position to implement and comply with the PEPP requirements. PEPP contracts tend to be very long-term contracts. Unclear provisions that are not tested properly would expose providers to a unquantifiable level of legal/compliance risks during the whole contract period and even beyond. We also regret that EIOPA public consultation and consumer testing exercise are taking place in parallel. It would have been preferable for the consultation paper to consider the results of the testing and be provided with more finalized mock-ups for us to provide meaningful and helpful comments. Furthermore, we would highly recommend always having a 2-steps consumer testing process. Having a first round of testing would allow to fix preliminary proposals based on the feedback received. Then, having a second round of testing would ensure that the new proposals have addressed the shortcomings previously identified and are effectively providing consumers with relevant information. For EIOPA to meet the deadline set by the level I Regulation (15 august 2020), it would have to submit its technical advice to the Board of Supervisors' approval in the end of June. Therefore, there would be less than 4 months between the end of this public consultation and this internal deadline. Based on the current state of EIOPA's proposals, we consider this would not been enough for EIOPA to provide finalized, fully tested and substantiated proposals to the European Commission. Most importantly, many crucial information is currently missing from the consultation papers. Therefore, stakeholders should be provided with another opportunity to comment on EIOPA's suggested proposals before being presented to the European Commission. Last but not least, we would always invite EIOPA to build on existing well-functioning solutions, rather than overengineering this process and introducing new conceptual and complex ideas whose merits are yet to be proven.	

No	Name	Reference	Comment	Processing
194.	InsurE	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	Overall, we welcome EIOPA working on a mock-up basis. We believe this is a useful approach to provide ideas to market practitioners but also to ensure that disclosures requirements are workable in practice. It is very important to work on an "end user-friendly basis" to ensure that complex financial information is translated in lay-man's terms and therefore made accessible to all types of investors. However, we believe that these illustrative mock-ups still require further works. First and foremost, it is crucial that these mock-ups undergo **consumer testing** to ensure they effectively bring expected benefits to PEPP prospective savers and members. Moreover, these mock-ups are not addressing the issue of **information overload and burden**. Information should focus on quality rather than quantity. Receiving too much information could in fact result in savers not saving for their retirement and/or not making the choices that would best address their demands and needs. Against this background, the following elements deserve particular attention: Duplication of information should be avoided. For instance: In the PEPP KID mock-ups, in the section "what is the product?" information on portability and on sub-accounts is redundant. In the PEPP KID mock-ups information as to whether it is a basic PEPP is disclosed on 2 occasions: 1) in the general heading "product type" and 2) in the "what is the product?" section 1, "guarantee/risk mitigation techniques" sub-section 3. In the PEPP Benefit Statement mock-up, information in relation to costs would be disclosed on 3 occasions, first in the current balance section 1, then in the breakdown of costs and last in the Reduction in Wealth indicator in section 3. Gold plating of PEPP requirements should be avoided and carefully weighted in relation to the added value it brings to consumers. For instance, it is unclear how EIOPA's suggested approach to the disclosure of past performance would be helpful or provide savers with relevant information. The PEPP Regulation does not require a benchmark for past performance. Moreover, the long-term risk-free rate is a tool available to project investment returns. Therefore, it is not suitable for a retrospective, past performance assessment. The PEPP Regulation only requires the 10 years past performance to be disclosed in the KID and the benefit statement. Adding the 5,3 and 1 past performance goes beyond the mandate granted by the level 1 legal text.	Agreed, the templates and the requirements have been further developed.

No	Name	Reference	Comment	Processing
			The cumulative impact of legislations should also be duly considered in order to avoid information overload and burden. The different pieces of legislation which are applicable to the PEPP, their distribution and providers will most likely result in inconsistencies, overlaps and duplication. Insurance Europe estimates that an insurance broker selling a sustainable PEPP online would have to disclose between 158 and 202 pieces of information at precontractual stage (depending on how the PEPP second regime lex specialis nature is interpreted). The disclosure of two performance tables in PEPP information documents (benefit projections and past 10 years) despite being required by the Level I Regulation would not help consumers understand the product. In contrast, it will result in overloading consumers with further information. Such an overload of figures, obtained through different methodologies (past performance is anchored in actual historical data, while future scenarios show the range of possible outcomes), would only confuse consumers, and not simplify their choice. Against this background, digital information can be a useful tool to streamline the quantity of information received as it allows the saver to identify and focus on relevant information only e.g. with the help of visual icons, dropdown menus and tick-the-box approaches. Layering of information in particular, may also help streamlining the quantity of information a saver might need to process (see question 10). Several elements presented in the illustrative mock-ups require **further clarification**: It is not at all straightforward to reconcile EIOPA's suggested approach as detailed in its draft advice/impact assessment with the illustrative mock-ups. This is, mainly because many crucial information is missing from the consultation paper. For instance, the mock-ups do not reflect the strong stance EIOPA has in favour of digital layered information disclosure. Some of EIOPA's suggested approaches are not sufficiently substantiated and explained. For instance, there is no explanation in the draft technical advice and impact assessment to understand the different risk scales (1-4 risk, high/medium/low) suggested for the PEPP KIDs and the Reduction in Wealth cost indicator suggested for the PEPP BS (see also question 8). In order to ensure transparency and comparability of information across PEPPs, the insurance industry recommends introducing a distinct, standardised and compulsory section indicating whether the PEPP provides coverage against biometric risks. It is important to stress when such protection is provided.	

No	Name	Reference	Comment	Processing
			It is equally to stress when this protection is missing and warn against the practical consequences when not covered against financial, longevity, mortality and morbidity risks… The presentation of the risk indicator in the PEPP KID example A is not clear either. Does it measure how likely or unlikely a particular PEPP will be to meet its objectives? ie. does category 1 correspond to the lower or the higher risk? Suggested language for various narrative is not always accessible to average savers. Also, technical concepts/jargon such as biometric coverage, ESG factors (beyond sustainability), sub-accounts and risk mitigation techniques will require further explanations or alternative wording. In the PEPP KID “what is the product section?”, suggested narrative on portability (ie. “distributing PEPPs within the majority of member states”) does not reflect the level I Regulation requiring PEPP being distributed in “at least 2 Members States”. In the PEPP KID “what is the product section?” suggested narratives, there seems to be a confusion between rules applicable to early redemption and switching. 5 years minimum holding period applies to switching. Switching costs are limited to actual costs and capped to 0.5% of current balance. Early withdrawal is often limited at national level to hardship situations. In the PEPP KID “what is the product section?” information on retirement benefits should distinguish “fixed-term” annuities from “life-long” annuities as different categories. We see limited room in the PEPP Benefit Statement mock-up to embrace the possibility that a PEPP could have several sub-accounts with different contribution levels, different taxation, different costs resulting from providers (ie. in case of partnerships). This aspect needs to consider benefit possibly entailed by layering of information. The use of QR codes also triggers practical questions. The management of the PEPP KID database could prove a challenge as these will be revised on a regular basis. Monetary disclosures are difficult to implement in a meaningful way most of all when dealing with a standardized pre-contractual information document for a pan-European product ie. the assumptions used in the KID mock-ups (eg. 10k accumulated capital, 100 euros monthly contributions) are not	

No	Name	Reference	Comment	Processing
			relatable in several EU countries depending on income levels, savings capacity and currency. Also, it does not embrace the fact that a PEPP with several sub-accounts might have to be presented as multi-currency products. In the PEPP KID mock-ups, the way costs are being disclosed is confusing and misleading. 95 euros recurring costs translate in 0.95%. First, it seems to imply that the cap requirement does not consider one-off costs. Moreover, costs disclosure consider only the contribution (using the artificial 10.000 euros assumption) but not the projected performance (eg. 92600, 59000 and 39600 in example B). As a matter of principle we strongly believe that costs should not be disclosed in isolation (see question 8), but should always be put into perspective with service provided and projected performance to ensure savers understand what they get from what they pay and how much it impacts the final benefits. Also, cost disclosure should always be annualized to prevent long-term products wrongfully looking more expensive.	
195.	InsurE	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	<u>General comments on introducing a holistic approach specific to the PEPP:</u> Yes, the insurance industry supports considering risk, reward, performance and risk mitigations in a holistic manner. A holistic approach to risk, reward and performance can be achieved with the introduction of a forward-looking stochastic economic model (see also question 4) paired with quantitative criteria (see also question 3). A PRIIPs-like approach would not be the right approach as it would not be able to capture the effect of guarantees and risk mitigation techniques. The PRIIPs deterministic synthetic risk indicator (SRI) would not provide information that is granular enough to reflect the PEPP specific features. The PRIIPs' risk approach would also not be suited to the PEPP, as the underlying methodology is anchored in recent historical data, extrapolating the past 5 years performance to project the future expected benefits. Despite welcoming EIOPA suggested deviations from the PRIIPs framework, in order to embrace the PEPP specificities, the insurance industry believes that there are still too many elements missing from the draft technical advice, the impact assessment and to mock-ups. Against this background, we urge EIOPA to take the necessary time to further investigate the topic before finalizing its technical advice to the EC.	Partially agreed, the requirements have been further clarified and amended and ensure a consistent measurement of the risks/rewards of a PEPP.

No	Name	Reference	Comment	Processing
			Finally, it is of the utmost importance that the evaluation of PEPP risk and reward is balanced. EIOPA's proposals seem to indicate that high rewards are possible without risks. However, practice shows otherwise meaning that risks usually trigger rewards. Bearing in mind that PEPP requires capital protection, this will have an impact on risks and therefore on rewards. Specific comments on risk measurement The insurance industry is extremely concerned that EIOPA's proposals require to **assess risks at individual level**, based on subjective objectives and personal circumstances (page 13: "the main risk of pension product is the risk of not reaching the individuals' retirement objective"). It is indeed unclear how EIOPA's proposals to "link the riskiness of the investment option to the relative deviation of the projected pension projection from the best estimate" (page 15) could work in practice. The objectives pursued by a saver when purchasing a PEPP will vary greatly. Depending on local and personal circumstances, a PEPP might be purchased either to build up the main source of income in retirement or could more simply be used to top-up other sources of income. Many other factors will also impact individual expectations (standards of living, remaining duration…). Likewise, we really wonder how could it be possible to **factor in individual expectations** when disclosing PEPP risks in a standardized pre contractual information requirement and we would invite EIOPA reconsidering the suggested heading in the PEPP KID mock-ups "how likely it is that I will reach my retirement objective?". If different PEPP savers aim different retirement objectives, there is a risk that the same or very similar PEPP products would score differently. Moreover, consumers will not be able to compare different products unless the risk is uniquely measured against the same benchmark. Also, EIOPA suggested proposal on page 14 is a perfect example of what "over-engineering" is and how it could lead to very few people – if any - being able to understand PEPP risks ("For the quantification of the risk measure the standard deviation from the mean (best estimate) expected outcome per decumulation option available (PEPP KID) or decumulation option chosen (PEPP Benefit Statement) together with the probability of reaching returns in line with the ultimate forward rate is suggested to be used"). We believe it is the **role of advice -** not the one of risk measurement and information disclosure - to assess and ensure that a contemplated PEPP effectively matches the personal and individual circumstances. On the contrary, **risk assessment must remain objective** meaning that it should measure possible risk of losses considering the following elements: the PEPP general objectives as set by the Regulation (ie. nominal capital protection only at the end of the accumulation phase), the market risk of underlying assets,	

No	Name	Reference	Comment	Processing
			the risk mitigating effect of the investment strategy. <u>Specific comment on risk indicator</u> When it comes to the suggested **risk classification**, we understand from the mock-ups that there would be up to 4 categories of risks. However, the consultation paper does not provide sufficient information and the following crucial information is missing: First, it should be clarified against which objective the PEPP risk is being measured. We strongly encourage to follow the letter of the Regulation and not to consider individual objectives. Then, the presentation of risks should be clarified. Does it measure how likely or unlikely the PEPP will be to meet its objectives? ie. does category 1 correspond to the lower or the higher risk? What is the rationale behind having only 3 or 4 risk categories? We see the point of not having the same number than in PRIIPs to avoid wrong comparisons but, the number of categories and the choice between an odd or even number of categories should take into account the results of the consumer testing. Would the level of risk be derived from the stochastic modelling? Clarity on the methodology used to quantify risks is necessary in order to be able to comment on the presentation of these risks. However, we have not been provided neither with the economic model itself nor with its parameters. If so, what would be criteria applicable to each category? What would be the percentage value for each risk categories? It is important that a single quantitative model is applied to ensure that PEPP risks are consistently classified. <u>Specific comments on performance/benefit projections</u>. The insurance industry recommends that EIOPA uses a **stochastic economic model** to generate the investment return assumptions that will be used by all companies. **EIOPA's suggested approach is confusing** as it suggests different options/elements (LTRFR, inflation, wages), without specifying whether they should be considered all together or just some of them at specific times. Given the confusing nature of the consultation, it is difficult to provide specific and detailed comments. However, we can share the following preliminary **concerns/observations**: There is a strong concern that EIOPA is creating a complicated and confusing systems for providers, distributors and customers. It is confusing how EIOPA refers to and appears to be considering using the UFR. The UFR is a calibration element used for generating solvency II risk-free rate curves. It should not be used directly to generate assumptions for performance/benefits projections.	

No	Name	Reference	Comment	Processing
			Inflation cannot be forecasted by providers. Inflation is the result of a complex set of factors. Although there is a target set by central banks in some countries, in practice the actual rate of inflation is different from that target. Therefore, using inflation to generate either assumptions for projections or benchmark is also problematic. Finally, it should be noted that inflation is not a product-specific feature. Based on EIOPA's proposal, there is an impression that inflation is only relevant for guaranteed products. Wage inflation is similarly difficult to forecast in any accurate way and in trying to include an assumption could easily confuse customers more than benefitting them. The more elements are to be included in the projections, the more volatile these projections can be and the more difficult to explain and understand. **Disclosures in real terms**, despite pursuing laudable objectives, are extremely complicated to achieve in practice, and could prove really confusing for savers. Acknowledging these well-known difficulties, we are aware of only few countries using inflation-adjusted projections disclosures as the primary source of information in a pension context (IE, IT and DK). In other countries, the provision of inflation-adjusted figures appears to be rare, and if provided is presented in personalised annual information documents during the accumulation phase (NL) whose purpose are different ie. nudging – when necessary - savers into increasing their contributions. This might await consumer testing, but in any case, it is important that the PEPP documents do not provide different information from the one provided for other personal pension products available at national level. This could not only be confusing but also make PEPP less or more attractive compared to other options available at national level. Last but not least, we are not aware of any precedent at EU level introducing real term performance disclosures. We would recommend EIOPA using the stochastic economic model to project PEPP benefits/performance **and using adequate warnings** alerting savers that several factors could impact the value of their future benefits eg. different types of inflation, taxation, evolution of wages (…) Savers could be provided with more educational information (explanation, links and available short-term projections) in a secondary layer of information, should they wish to seek further information. We welcome EIOPA's suggestion to include a **third favourable scenario**, to add nuance and balance in performance related disclosures. In addition, we support adding a specific warning helping savers to understand the benefits of products offering a guarantee as their added value could not always be captured by performance scenarios. The solution investigated in the context of the ongoing PRIIPs review, the "minimum guaranteed scenario", showing maximum possible losses, could be a valid option to consider for the PEPP.	

No	Name	Reference	Comment	Processing
196.	InsurE	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	No, Insurance Europe urges EIOPA to stick to the objectives set by the PEPP Regulation. The PEPP Regulation requires that all investment options must ensure “sufficient protection for the PEPP saver” (article 42(3)). The Basic PEPP should allow saver “to **recoup the capital invested**” (article 45(1)) meaning the “aggregate capital contributions after deduction of all fees, charges and expenses that are directly or indirectly borne by the savers” (article 2(24)). This capital protection is due at the end of the accumulation phase (article 55). PEPP risk mitigation techniques should ensure that the investment strategy is designed to “build up a stable and adequate individual future retirement income” (article 46(1). Against this background, EIOPA’s suggested objectives as detailed in page 13 of the draft technical advice go beyond the letter of the PEPP Regulation. To quantify the PEPP investment options’ riskiness and performance, EIOPA suggests 3 investment objectives which are either not feasible nor suitable in a PEPP context: EIOPA suggests that accumulated savings should be protected against **inflation**. This would be extremely challenging — if not impossible — considering inflation’s fluctuant nature and the fact that it is not known at the time when the guarantee is issued. Such commitment would result in an unquantifiable promise, most likely not authorised by national supervisory authorities and way too burdensome from a prudential point of view. Otherwise, it would require to exclusively invest in inflation indexed bonds, which are not widely available in Europe and would defeat the investment diversification policy agenda. Moreover, it does not consider the fact that in most EU countries, inflation is higher than maximum guaranteed interest rates set at national level. EIOPA also suggests that PEPP investment strategies should at least reach the **Long-Term risk-free rate**. It is not clear why this is a particularly relevant pension savings target and is unlikely to be a concept easily understandable by savers. Finally, **limiting dispersion of future PEPP benefits** cannot not be a PEPP investment objective as it would lead to the subjective assessment of PEPP riskiness based on individual expectations. Furthermore, it is not compatible with the general objective set by the PEPP Regulation ie. to recoup the capital invested. The stochastic economic model should measure the risk of loss ie. what are the chances that an investment strategy will not meet the objectives set by the PEPP Regulation (ie. nominal capital protection only).	Partially agreed, the objectives of the Basic PEPP and the risk-mitigation techniques required further specification to ensure comparable outcomes for consumers.

No	Name	Reference	Comment	Processing
197.	InsurE	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	The insurance industry agrees that the assumptions should be somehow standardized at EU level. However, it is not clear whether EIOPA is the most appropriate entity to do so. The insurance industry recommends EIOPA to investigate the benefits of a forward-looking stochastic economic model applicable to all risk mitigation techniques. A stochastic economic model assessing the risk mitigating effect of different investment techniques by **measuring the probability to meet the objective set by the PEPP regulation** – ie. the risk of losing the capital invested – could be suited to measuring PEPP risks in a consistent manner given its expected diversity. We believe that the establishment of a stochastic economic model for the PEPP could not only ensure consistency but also: Measure the probability that the PEPP will meet its objective ie. nominal capital protection. Allow the establishment of minimum thresholds to satisfy to identify if a risk mitigation strategy is safe enough to be sold to the public with the Basic PEPP quality label. Derive risk indicators and performance projections to fulfil information disclosures requirements. Avoid the need for detailed rules on each risk mitigation techniques and so allow innovation on financial markets while ensuring the Basic PEPP is safe. There are **proofs of concept** supporting the relevance of stochastic economic model approach Germany, the Netherlands and in Denmark. The OECD is also currently investing the potential of stochastic economic model applicable to life-cycling strategies as part of the ongoing update of its Roadmap for the Good Design of DC Pension Plans. The insurance industry believes that EIOPA has a role to play in setting the key assumptions and inputs for this stochastic economic model. However, based on national experience, we also see merits in EIOPA being assisted by an **independent third party** to establish, run, monitor and update the economic model on a regular basis. For instance, in Denmark, the key assumptions used for the recently introduced pension projections and risk labelling are established by an independent third party called the "Pension Council". This Council is appointed by Insurance & Pension Denmark and Finance Denmark. The expert council is composed of 3 researchers and experts which are appointed for 3 years mandate. To prevent conflicts of interests, experts sitting in the Danish pension council cannot be involved in the daily management of pension companies (board membership is allowed). In Germany, the model is run by an independent body called PIA (Produktinformationsstelle Altersvorsorge). PIA's advisory board is composed of scientists, consumer representatives, industry experts, and federal ministries.	Partially agreed, please see the response to comment number 11.

No	Name	Reference	Comment	Processing
			National authorities might also have a role to play as the most likely to be using the results of the model as a basis to assess PEPP registrations. Last but not least, it is vital that the stochastic economic model is **appropriately calibrated and uses an appropriate range of data**. Recent PRIIPs experience has shown that using only the past 5 years historical data has proven suboptimal to project reliable information on future benefits/performance. The OECD recent study considers two different data sets to illustrate how the stochastic model would assess probability of getting back capital invested: historical returns (1969-2018) and low returns (1999-2018). Illustrations of the proposed stochastic model have shown very different outcomes depending on which data are being used. Further discussions are needed to identify the relevant historical data. This is also why it would be so important to have independent experts involved making calibration decisions.	
198.	InsurE	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	/	
199.	InsurE	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	During the PEPP interinstitutional discussions, the insurance industry has warned against the detrimental impact that a fee cap would have on the PEPP. We agree that the guarantee is a distinct feature and possible related costs should be excluded. A way should be found to exclude the cost of advice, because without this the PEPP is unlikely to be viable. The 1% cost cap should consider average yearly costs. <u>General comments</u>: During the PEPP interinstitutional discussions, the insurance industry has warned against the detrimental impact that a fee cap would have on the PEPP. While supporting the goal of cost efficiency, we believe that pricing regulations would prove a real challenge to implement in practice for the following reasons: A 1% fee cap will challenge the launch of PEPP, given its voluntary nature and expected limited scale. A 1% fee cap will limit the diversity of PEPP providers and products/features on offer.	Noted, EIOPA had to act on its mandate, which does not cover a re-design of the cost cap.

No	Name	Reference	Comment	Processing
			A 1% fee cap will be particularly detrimental to smaller-sized providers as they might not benefit from an existing scale and/or infrastructure as a basis to launch PEPPs. A 1% fee cap risks compromising the expected high quality PEPP standards. A strict all-inclusive fee cap would also be challenging given the many new features and requirements introduced with the PEPP (mandatory advice on 3 occasions, design and administration of at least 2 sub-accounts, recurring switching, creation of risk mitigation techniques, detailed information disclosures at various stages…). PEPP manufacturers and distributors will need to develop these services from scratch and the corresponding level of fees cannot be fully anticipated at this stage of the PEPP process. A strict annual fee cap does not consider the fact that costs tend to decrease over time, especially when measured against the capital invested. On the contrary, transparency of costs has proven to be a useful tool to enable savers when making an informed choice but also to boost competition and ultimately drive costs down for providers to stay competitive in the savings landscape. Acknowledging the political agreement, we believe that the scope of the fee cap should carefully consider the following cost items and principles. <u>Guarantee costs</u>: First and foremost, the insurance industry does not agree the suggested **definition of guarantees costs** (see question 9). The insurance industry supports the **exclusion of the guarantee** from the fee cap requirement. Guarantees are not a cost but a distinct sectorial feature which is different in nature in comparison with other risk mitigation techniques. Both “life-cycling” and “pooling and smoothing” leave the risks with the customers (either with customers on an aggregate mutualized basis or with customers individually). A guarantee transfers risks away from the customer to the (insurance) company. The amounts charged for guarantees are also different and go beyond the costs implied by other risk mitigation techniques: Insurance companies providing guarantees will have all the same type of costs as those companies providing life-cycling or pooling and smoothing, fund management, asset liability management and	

No	Name	Reference	Comment	Processing
			transaction costs resulting from the need to buy and sell individual assets and to re-balance the portfolios over time. They will also have additional costs and constraints created by the requirements set by Solvency II (valuation of liabilities and solvency capital requirements). The different nature of guarantees was acknowledged by EU policymakers during the PEPP negotiation and highlighted in the following provisions: **Recital 55:** "In drawing up the draft regulatory technical standards, EIOPA should, in particular, consider the long-term nature of the PEPP, the different types of PEPPs and the cost-relevant factors linked to their *specific features,* so as to ensure a fair and equal treatment of the different PEPP providers and their products while taking into account the character of the Basic PEPP" (…) "Within that framework, in order to ensure that *PEPP providers offering a capital guarantee benefit of a level playing field with other providers*, EIOPA should duly take into account the structure of costs and fees". **Article 45(3):** "EIOPA shall also assess *the peculiar nature of the capital protection with specific regard to the capital guarantee*" <u>Advice costs</u>: The insurance industry also supports the exclusion of the advice costs from the fee cap requirement. The preliminary feedback from market participants indicates that it would be impossible to provide advice under a 1% yearly fee cap for a number of reasons: First of all, due to the **definition of advice**. Advice in the PEPP context does not mean guidance but implies a "personal recommendation" (article 2(31)) to be provided on 3 occasions: pre-contractual, pre-mobility and pre-retirement stages (articles 20, 34 and 60). The provision such high-quality/frequent advice will most likely involve human interaction which is a complicated and costly task as it requires to undertake a "know-your-customer" procedure, assessing the savers' demands and needs, assess risk appetite and tax eligibility, and explain the contract details and arrangements, among many other things. A too restrictive fee cap might risk lowering the quality of advice. Whilst **robot/automated advice** may appear as a cost effective solution in the future, this does not yet exist, may not exist for some time and when/if available may not be as low cost as some believe due to the costly investment needed to develop it and the need for tailoring to the PEPP optionality, members states' tax, social security. Moreover, it would require high investment costs to establish the necessary IT infrastructure. Another aspect to consider **PEPP expected contributions**. We would assume that small and regular amounts will be saved in a PEPP, at least initially and depending on tax incentives granted to the PEPP. It will therefore be extremely difficult, if not impossible, for providers to develop a viable business	

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			model on such limited scale. Taking the concrete example of an average moderate earner saving 5% of his 25k gross yearly salary, a 1 % yearly fee cap would mean that providers could charge up to 12.50 euros in the first year. Contributions would accumulate over the years, but these would remain too small amounts, especially considering the switching right every five years, preventing the possibility for providers to amortize related costs over time. To put the above figures into perspective, we found evidence that a German federal state-based consumer organization offers 90 minutes retirement planning consultation for 170 euros. Time horizon of the fee cap: The insurance industry urges for the fee cap to consider "average yearly costs" for the following reasons: It would ease the fee cap requirement, which as it stands would most likely jeopardize the PEPP uptake. It would allow to consider costs over the lifetime of the product, irrespective of the timing of the costs. It would be suitable to all products with different costs structures, different timing and therefore embracing the expected PEPP diversity. It would reflect the standard costs glidepath ie. the fact that costs tend to decrease over the lifetime of a product and therefore allow to mitigate higher costs at the beginning of the accumulation phase. A strict yearly fee cap would prove a real challenge and be detrimental to the PEPP take-up. For instance, referring to the assumptions used in the mock-ups, a strict interpretation of the yearly fee cap would be detrimental to PEPP with ongoing premiums, which we understand would probably be the most common variant of PEPP: For PEPP with 100 euros monthly contributions, providers would be allowed to charge maximum 12 euros for the first year, and about 24 euros for the second year (and so on…) For PEPP with a 10000 euros single contribution, providers would be allowed to charge maximum 100 euros in the first year. The figures used in the mock-ups also illustrate the limits of a strict annual fee cap. The suggested one-off entry costs disclosed for in the PEPP KID mock-ups (administrative and distribution costs in the first year amounting 75 euros) would already exceed by far the 12.50 euros allowed in the first year for PEPP with a 100 euros monthly contribution.	

No	Name	Reference	Comment	Processing
			Finally, an "average yearly cost" approach is also in line with the objective displayed in the PEPP Regulation, ie. "to ensure a level playing field" and "equal treatment" between different PEPP providers and different types of PEPP "with their particular cost and fee structure" (Recital 55).	
200.	InsurE	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	General comment: We recommend introducing a uniform **high-level principle-based approach** for all types of risk mitigation techniques, combined with a holistic stochastic model and eligibility criteria to ensure consumers' interest are well protected. A principle-based approach would reflect the fact that the level I Regulation only provides for a non-exhaustive list of Risk Mitigation Techniques (ie. "inter alia") leaving the door open to innovation and new investment techniques to mitigate PEPP investment risks. Furthermore, it would also reflect that a PEPP might combine several risk mitigation techniques. There is a need to ensure a level playing field between different types of risk mitigation techniques. As it stands, EIOPA's approach to smoothing and pooling (additional disclosures, segregation of assets and equity loan) as well as to guarantees (additional inflation-related disclosures) appears to be much more penalizing than the one for life-cycling strategies. Also, the eligibility of Risk Mitigation Techniques should be measured against the objective set by the Regulation ie. nominal capital protection. Life-cycling strategies We welcome EIOPA's suggested **high-level/principle-based approach** when dealing with life-cycling strategies. Introducing excessively restrictive requirements to frame these techniques could challenge innovation on financial markets and defeat their added value (ie. flexibility) and therefore decrease attractiveness of life-cycling to PEPP savers and providers alike. However, some safeguards are needed to ensure that these life-cycling strategies meet the objective set by the PEPP Regulation ie. allow the PEPP saver to recoup its capital. This is where an economic stochastic model together with thresholds conditioning eligibility might come helpful (see question 4). The possibility to extend the last phase of the life cycle beyond the expected end of the accumulation period, which is especially relevant for life-cycling, should not be introduced as a risk mitigation technique. Such **5 years buffer** does not mitigate investment risks and does not shift risk away from the savers. On the contrary, it increases the burden weighing on individual savers, as they will untimely be the one deciding to postpone the pay-out. It is also not in line with the Level 1 Regulation that explicitly requires providing capital protection at retirement (article 55), not 5 years later. Moreover, this corresponds to conditions in relation to the	Partially agreed, whilst the PEPP provider shall be free to design the risk-mitigation technique to reach the objectives and goals, in order to consistently measure the effectiveness of the risk-mitigation techniques, strong criteria had to be introduced.

No	Name	Reference	Comment	Processing
			decumulation phase, which are left at the discretion of members states (article 57). Finally, this option would not be consistently available across Europe as it is conditioned to a large extent to national tax, social and labour laws. Establishing reserves / pooling and smoothing The "pooling" of individual assets in a collective fund allows providers to benefit from a larger scale and to increase their exposure to a wider range of assets classes. The "smoothing" of returns aim to reduce the direct impact of market changes on the fund investment which means that investors are less directly exposed to rises and falls in the value of their investment over the shorter-term. As a result, pooling and smoothing techniques are available in some countries as an alternative and a less risky way for savers to access certain types of investments while benefiting from the certainty of long-term average returns. For these techniques to bring their expected benefits (combining the best of both worlds ie. safety and performance), it is important to maintain a rather flexible framework with requirements and details limited to those areas necessary (such as transparency on allocation mechanism) and to not create unnecessary constraints on how P&S can be implemented by companies. For instance, it is important that the **segregation of PEPP assets** does not lead to legal ring fencing. Eligible PEPP providers should be able to use their general account, at least for a certain period of time, to enable the launch of the PEPP product on the market and the accumulation of a certain mass establishing the "reserve". This is more viable than other options discussed by EIOPA such as providers offering a 10 years loan to PEPP savers. Guarantees First things first, there is still some uncertainty in regard to the **definition of guarantees** in the PEPP level 1 Regulation. The reference to "guarantees against investment losses" as an example of eligible risk mitigation techniques (article 46(2)(c)) somehow enters in contradiction with general provisions on investment options for PEPP savers (article 42(3)) that distinguish between one and the other. In our opinion guarantees do not only "mitigate" investment risks, guarantees "transfer" the risk of loss away from savers. Having said that, we agree with the fact that on top of offering protection against investment risks, guarantees are also a powerful tool to nudge more risk adverse savers into saving for their pensions. Insurance Europe has recently run a survey interviewing over 10000 people in 10 European countries. Results have clearly demonstrated that **guarantees are highly valued in a pension savings context** on repeated occasions: When asked about their priorities when saving for retirement, by far the highest priority was the security of the money invested (60%).	

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			When saving for retirement, survey respondents overwhelmingly (73%) chose investment safety over performance. The information that respondents were most interested in was about guarantees, both before signing a contract (64%) and once the contract is in force (51%). We believe that EIOPA's suggested criteria would prevent guarantees to bring their expected benefits to the PEPP. Seeing the **impact of inflation** in relation to guaranteed PEPP only is not only inaccurate but also penalizing. Inflation has an impact on all pension benefits, regardless the type of product, the risk mitigation technique and the asset mix involved. As explained in question 3, guarantees cannot protect against inflation for a certain number of reasons. Shall EIOPA decide to pursue its intention to stress the impact of inflation on PEPP pension savings, it should be done by mean of a general warning alerting the saver, using layering tools to enable savers to seek further detailed information on what might impact the value of their final benefits. Last but not least, there are well-known concerns that **Solvency II** creates unnecessary barriers for insurers to provide products with long-term liabilities and to take investment risks with the assets backing these liabilities. This also includes the PEPP. Should Solvency II remain unchanged, in a PEPP context, this would have an impact on the performance and diversity of PEPPs on offer, and especially detrimental to guaranteed PEPP. The insurance industry therefore advocates for a proper investigation by the EC and EIOPA — as part of the 2020 Solvency II review and PEPP-related discussions — of the mismatch between the current regulatory approach and how insurers are effectively exposed to risks relating to long-term products, so that it is feasible for providers to offer such products which ensure an appropriate level of safety for consumers but at the same time, meeting their long-term needs. Improved Solvency II requirements for long-term liabilities would help insurers to provide safe, long-term savings products, including PEPPs. <u>% quantitative criteria to be satisfied</u> EIOPA suggests establishing **% quantitative thresholds that** investment strategies must satisfy to be eligible to the PEPP. To be eligible to the Basic PEPP, we understand that the investment strategy must ensure, considering the results of the stochastic modelling, a 99% probability that the capital invested will be recouped. This probability is lowered to 95% for the alternative investment options and when the PEPP duration is lower than 10 years. First and foremost, it would have been preferable to be provided with information on the stochastic economic model itself before being asked to comment on the numbers that will be derived from it. Also, discussions on the feasibility of these % thresholds ire at the moment confused by EIOPA's proposals to gold plate the level 1 objectives for example by including inflation. The Regulation defines	

No	Name	Reference	Comment	Processing
			that PEPP should ensure nominal capital protection. EIOPA is proposing to deviate from this and it shouldn't. Another concern derives from the fact that EIOPA suggested % thresholds are to be met during the accumulation phase (page 32 article xa(3)). Such requirement would be another deviation from the political agreement enacting that PEPP capital protection objective should be met at the end of the accumulation only (article 55). We are not sure what would be the merits of lowering the probability threshold when a PEPP has a duration period shorter than 10 years. It would be confusing that savers are entitled different levels of protection when purchasing the exact same PEPP depending on the timing. Plus, we imagine that there will be age restrictions preventing a PEPP to be purchased too soon to retirement. We also wonder which criteria will apply to products combining different risk mitigation techniques. Provided that all of the above concerns are addressed, then it will be possible to assess whether the 99 or 95 percentage values could potentially be considered a reasonable interpretation of what ensures "capital protection".	
201.	InsurE	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	Regarding the suggested cost indicator, we are not sure we fully understand EIOPA's suggested **Reduction in Wealth (RiW) indicator**. The draft advice, the impact assessment and the illustrative PEPP benefit statement mock-up do not provide enough information. In our view, RiW is not a suitable indicator for the following reasons: RIW drastically increases with the length of the holding period making all retirement products look more expensive, even if they are very cost-efficient. Therefore, RiW prevents a fair comparison of PEPP as a PEPP purchased by younger consumers would always look more expensive than a PEPP acquired by more senior ones. Moreover, it will discourage savers from saving for their retirement. The suggested indicator is a new one, it has not been tested and has not undergone consumer testing. There is therefore no indication the information provided will be more useful to savers. The consultation paper misquotes the study conducted in Germany by ZEW on cost indicators. The study assessed several cost indicators - including the RIW - but ultimately favoured the RIY as the most appropriate and robust cost indicator. Finally, EIOPA refers to some criticism on RIY in its impact assessment. However, the arguments apply to an equal if not greater extent to RIW: "RiY approach technically requires assumptions – over holding periods and over returns" – Exactly the same holds true for RIW. Moreover, while RIY varies only moderately	Disagreed, the PEPP Regulation mandates the disclosure of the compound effects of costs on the PEPP benefits, which can be portrayed through the 'Reduction in Wealth' approach.

No	Name	Reference	Comment	Processing
			depending on the RHP (or not at all), RIW increases rapidly with longer RHP making all old-age provision products look very expensive. “2% lost yield over 40 years represents a significant impact of costs.” In general, a cost indicator that comprises all costs into a single figure compresses information. To understand the impact of a reduction of the yield even better, consumers are provided with costs in monetary terms. This is a better solution than making every retirement product look very expensive as the RIW does. “RiY strongly depends on the duration of the accumulation phase” This effect is much stronger for RIW. Furthermore, the recommended holding period (RHP) of a PEPP is fixed, since the product is supposed to be held until retirement. In general, we support the following principles: PEPP costs should not be disclosed in isolation: costs should be put into perspective with the service provided for savers to understand how the product matches their demands and needs ie. “value for money”. Costs should also be presented in perspective with the projected performance, for savers to understand how costs impact the final benefits. PEPP costs should be considered on an annual basis. We also note that for mortgages, European regulation requires customers to be given the interest rates as a standardized annualized rate in order to be able to compare products. This appears to be an identical approach than reduction in Yield. As an alternative, the insurance industry believes that **Reduction in Yield (RiY)** is a robust, realistic and accurate cost indicator which could also be suitable to the PEPP because it takes into account the impact of i) cost structure, ii) cost timing, iii) product duration on the internal rate of return (yield). Furthermore, RiY works equally well for single and regular premium payments. These properties are particularly important to properly represent long term products and products with ongoing premiums, which we understand would correspond to the majority of PEPPs.	
202.	InsurE	Q9. Do you have any other general comments to the proposed approaches?	In relation to **costs disclosures**, the introduction of a harmonized taxonomy breaking down PEPP costs is a challenge, given the pan-European nature and the diversity of frameworks applicable to PEPP. Moreover, despite being explicitly requested by the Level 1 Regulation, such a detailed breakdown might be confusing and overload savers. Suggested definition of the **costs of guarantees** are particularly worrying:	Partially agreed, the breakdown of costs is required for the PEPP Benefit Statement by the PEPP Regulation. The wording has been clarified.

No	Name	Reference	Comment	Processing
			In the PEPP context, the only relevant and useful figure is the amount charged by the company to the customers for the guarantee. We note that under PRIIPs, the total amount charged to the customers including the guarantee are already fully transparent. Therefore, in the PEPP context there are no new charges, only a question to define how to split the total charges between those related to the guarantee and the rest. We strongly oppose the suggested definition of the costs of guarantees on page 20 as corresponding to the full premium charged. The cost element of a guarantee is only one part of the explicit premium. This cost element corresponds to what a product manufacturer is gaining from providing the coverage, whereas the total premium corresponds that savers are effectively paying for the service. Similar discussions already took place in the context of PRIIPs, where it was acknowledged that biometric premiums are not a cost. Therefore, EIOPA suggested definition correspond to the "price of guarantees". The reference to "opportunity" costs in relation to guarantees costs on page 32 of the draft advice is wrong. Opportunity costs have nothing to do with what is charged to savers but correspond a posteriori to what could have been achieved when doing something differently eg. investing at higher rate and therefore is not related to a certain product feature such as a guarantee. In some cases, it may be straightforward to identify charges that companies make specifically for the guarantee. This could be the case for instance with third party guarantees. For some profit-sharing products with a guarantee, for example in Germany, the equity-share can be seen as a compensation charged to savers for providing a guarantee. For other products and in other markets, splitting the additional guarantee costs can be less straightforward. Guarantees are most of the time not a simple add-on but an inherent feature of the product. Any available methodology that we are aware of (Solvency II option value, PRIIPs fair value) has its own limitations and care should be taken to avoid artificial/indicative figures. Some methodologies could measure the theorical economic costs, which do not correspond to actual costs paid by savers. Therefore, the only feasible approach would be to require each PEPP provider to submit their proposed methodology to calculate the costs charged for the provision of a guarantee to the national competent authority as part of the PEPP registration process.	
203.	InsurE	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	Digitalisation, in general, is a powerful tool to **improve accessibility** to pension savings and increase **readability of pension information**. Therefore, it can help fostering broader coverage of private pension savings, increasing outreach to different cohorts of the population including the youngest one.	Agreed.

No	Name	Reference	Comment	Processing
			Insurance Europe has recently run a survey interviewing over 10000 people in 10 European countries. Results from the survey have clearly demonstrated that there is a clear appetite for digital disclosures. 67% of survey respondents preferred to receive information on pension products digitally rather than on paper. This preference is even higher younger survey participants (18-65 years old) amounting 70%. Digital information may allow savers to **streamline their decision-making process** because they would be able to easily identify relevant information e.g. with the help of visual icons, dropdown menus and tick-the-box approaches. Layering of information in particular, may also help streamlining the quantity of information a saver might need to process. Having worked on a mock-up basis, we would welcome the opportunity to be provided with **digital layered mock-ups** at a second stage to illustrate how EIOPA's suggested approach would work out in practice. Inspiration could be gleaned from the Dutch pension 1-2-3 template, consisting of 3 layers: The first layer gives the most important information (readable in 5 minutes). Layer 2 offers more detailed information on layer 1 (readable in 30 minutes). Layer 3 provides links to other means of information available. We also welcome EIOPA's suggested approach to highlight in the first layer the PEPP key features, as well as the **benefits entailed by long-term investments and protective features** (eg. guarantees and biometric coverage). A recent pension survey conducted by Insurance Europe revealed that guarantees are deemed the most relevant piece of information both at pre-contractual stage (61% of respondents) and during the contract (54% of respondents). We believe it is important to stress protection offered but also and most importantly the practical consequences that might arise when not benefiting from such features using warnings on possible exposure to financial, longevity, mortality, morbidity risks… Finally, for digital information to bring its expected benefits, there is a need to **ensure legal certainty** establishing the extent of providers' liabilities when providing information in different layers. Clear indication as to whether PEPP providers are liable for certain/all layers is needed, to avoid legal uncertainty and litigation to arise on the ground that a saver has not effectively received certain information, which was made available in the second of third layer. Therefore, we recommend EIOPA proceeding as follows: EIOPA could specify in a comprehensive and exhaustive way what should be in the **first layer**. EIOPA could specify the minimum information to be disclosed as part of the **second and third layers**, leaving the flexibility for providers to possible provide additional information. EIOPA to clarify that providers are only liable for what is explicitly required.	

No	Name	Reference	Comment	Processing
			Online distribution of PEPP is possible, and already a standard practice in several European markets depending on local rules and customs. However, online distribution of PEPP will indeed need to consider the mandatory duty of advice applicable to the Basic PEPP as required by the PEPP regulation.	
204.	Austrian Insurance Association (VVO)	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	**General Comments to the Consultation:** The VVO appreciates the possibility to comment on EIOPA's proposals for PEPP Level-II-Technical Standards. For the Austrian insurance industry it is essential that PEPP Level-II-Technical Standards provide for a legal framework allowing to offer attractive PEPPs, both for customers and providers. Against this background, we urge EIOPA to take the necessary time to develop technical standards that are **well tested among consumers and providers**. We regret that the proposals and ideas in the consultation paper are not yet finally tested since the consumer testing exercise takes place in parallel. In addition, with regard to some parts of the consultation, crucial information for properly assessing EIOPA's proposals is missing and we would have welcomed to comment on more advanced proposals. A second consultation before presenting the proposals to the European Commission would be highly appreciated. In addition, we strongly call on EIOPA to assess properly whether the proposals for PEPP Level-II-Technical Standards would **provide for legal certainty for providers**. PEPP contracts tend to be very long-term contracts. Unclear provisions that are not tested properly would expose providers to a very high level of legal risks during the whole contract period and even beyond. Furthermore, we urge EIOPA to avoid gold plating of requirements already published in the PEPP Level-I-Regulation. **Answer to Q1:** We welcome that EIOPA has complemented the consultation paper with mock-ups for the PEPP KID and the PEPP PBS. It is a useful tool to demonstrate how regulatory provisions might work in practice. It is of utmost importance that the information presented in the PEPP KID and PEPP PBS is easily understandable and not misleading and allows for a fair and transparent product comparison. However, there are some issues with regard to the PEPP KID and the PEPP PBS that require further clarification or amendments in order to provide for clear and understandable information for customers:	Agreed, the requirements for the information documents have been further clarified.

No	Name	Reference	Comment	Processing
			• **Using the long-term risk-free rate (UFR)** as a benchmark for the past performance of the PEPP is not suitable for a retrospective, past performance assessment. The long-term risk-free rate is a tool available to project investment returns. In addition we do not think that the long-term risk free rate as a benchmark is a useful and understandable information for customers. The PEPP Level-1-Regulation does not require a benchmark for disclosing the past performance, neither in the PEPP-KID nor in the PEPP PBS. • In order to ensure transparency and comparability we recommend introducing a separate standardised and compulsory section for disclosing **whether the PEPP provides for coverage against biometric risks or not for all PEPPs.** The coverage of biometric risk is not always linked to retirement benefits. There might be additional benefits such as benefits in case of death or disability. • Some of EIOPA's suggested approaches are not sufficiently substantiated and explained. For instance, there is no explanation in the draft technical advice and impact assessment **to understand the 1-4 risk classification** suggested for the PEPP KID and the reduction in wealth cost indicator suggested for the PEPP PBS. From the PEPP-KID the customer doesn't understand what it means for the PEPP to be categorized in class 1, 2, 3 or 4. • The suggested language for various narratives might not be always understood by average savers. • We see limited room in the PEPP PBS mock-up to embrace the possibility that a PEPP could have several sub-accounts with different contribution levels, different taxation, different costs resulting from providers (ie. in case of partnerships) • With regard to part 3 of the PBS it should be clarified that the average annual costs might be disclosed.	
205.	VVO	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	**Answer to Q2:** In order to assess the suggested proposals for risk measurement properly more information would be needed than provided in the consultation paper and the draft technical advice. **Risk indicator:** With regard to the description of EIOPA's proposals for the risk indicator we are concerned that EIOPA's proposal requires an individualised risk assessment although the PEPP-KID is a non-personalised and standardised information document (p. 13: "the main risk of pension product is the risk of not reaching the individuals' retirement objective"). Furthermore, the headline "How likely it is that I will reach my retirement objective?" would be easily misunderstood by customers in so far as the customer would refer to his or her personal situation. There is no evidence in the consultation paper how the link between the riskiness of the investment option	Noted. Agreed, the requirements have been clarified.

No	Name	Reference	Comment	Processing
			and the relative deviation of the projected pension projection from the best estimate could work in practice. The **risk assessment of the PEPP should be objective** and measure the risks of possible losses and not reaching individual pension objectives which might be different from customer to customer. As already indicated in the answer to the first question there is information missing **on how the risk indicator works in practice**. Where does the level of risk comes from? Is it a result of the stochastic modelling? If so, we would highly appreciate to get more information on the parameters of the stochastic modelling in order to be able to further assess the risk indicator. **Performance and benefit projections:** We would very much welcome EIOPA to use a **stochastic economic model** to generate the investment return assumptions that will be **used by all PEPP-providers** for disclosing performance and benefit projections. Since there are many difficulties with regard to inflation, i. e. there are no long-term inflation forecasts, the return assumptions for benefits and performance should be in **nominal terms**. In addition, we urge EIOPA **not to consider using the UFR** for generating assumptions for performance and benefits projections. The UFR is a calibration element used for generating solvency II risk-free rate curves.	Disagreed, the RTSs need to set out the approach.
206.	VVO	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	**Answer to Q3:** No. Art. 45 (1) of the PEPP Regulation requires that the Basic PEPP should allow savers “to recoup the capital invested at the start of the decumulation phase”. According to the regulation “capital” means “aggregate capital contributions after deduction of all fees, charges and expenses that are directly or indirectly border by the savers”. PEPP risk mitigation techniques should ensure that the investment strategy is designed to “build up a stable and adequate individual future retirement income”. There is **no compulsory objective** in the Level-I-Regulation **to reach at least the long-term risk-free interest rate**. In addition, according to the Level-I-Regulation **there is neither a compulsory objective that the accumulated capital should be protected against inflation**. Protection against inflation would result in a guarantee that cannot be quantified at the beginning of a PEPP contract since the inflation rate is not known	Partially agreed, to ensure PEPPs have a balanced risk/rewards profile, both measures have to be considered.

No	Name	Reference	Comment	Processing
			in advance. Furthermore, the inflation rate is most probably higher than maximum guaranteed interest rates set at national level.	
207.	VVO	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	**Answer to Q4:** Yes. The VVO agrees that the assumptions and inputs for the stochastic economic model should be **standardized at EU level**. In addition, considering that there is the PEPP-quality label we even recommend EIOPA or an independent third party to establish and **run a stochastic economic model** applicable to all risk mitigation techniques. Through the stochastic economic model the probability that the PEPP will meet nominal capital protection should be measured and minimum thresholds to be satisfied in order to be considered as a Basic-PEPP or another PEPP should be established. Furthermore, risk and performance indicators for fulfilling the information requirements should be derived from the economic model. An **appropriate calibration** of the stochastic economic model has to be ensured.	Agreed.
208.	VVO	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	**Answer to Q6:** The Level-I-Regulation limits costs and fees for the Basic PEPP to 1 % of the accumulated capital. Types of costs and fees to be taken into account should be further specified by regulatory technical standards. In the regulation it is stated that EIOPA should, in particular, consider the long-term nature of the PEPP, the different types of PEPPs and the cost-relevant factors linked to their specific features, so as to ensure a fair and equal treatment of the different PEPP providers and their products. Moreover, with the aim of preserving the long-term retirement nature of the product, the form of out-payments, in particular with respect to lifelong annuities, should be carefully assessed. Within that framework, in order to ensure that PEPP providers offering a capital guarantee benefit of a level playing field with other providers, EIOPA should duly take into account the structure of costs and fees. While supporting the goals of developing cost efficient PEPPs, it is of utmost importance that the fee cap is designed in a way that allows providers to offer attractive PEPPs to customers. Otherwise, there is the danger that the fee cap even prevents providers from offering the Basic-PEPP. In addition, especially smaller insurance companies will be effected by the fee cap due to lower economies of scale.	Partially agreed, please see the response to comment number 11.

No	Name	Reference	Comment	Processing
			Therefore the following cost categories should be **out of scope of the fee cap**: **Guarantee costs:** Guarantee costs should be excluded from the fee cap. Guarantees are not a cost but a distinct sectoral feature which is different in nature in comparison with other risk mitigation techniques. Through guarantees the investment risk is borne by the insurer that has to bear additional costs and fulfil special regulatory requirements such as capital requirements. **Advice costs:** The Austrian insurance industry also supports the exclusion of advice costs from the fee cap requirement. For the PEPP, advice is mandatory and has to be provided on 3 different occasions. This requires a high level of human interaction and efforts: assessing demands and needs, suitability etc. In addition, private pension products might require further and more complex advice with regard to tax eligibility etc. than other investment and insurance products. Personal advice is still very much appreciated among customers. Automated advice which is not as low cost as often assumed is not yet widely established. **Costs of biometric risk coverage** during the decumulation phase (e.g. life-long annuities) as well as costs for biometric risk coverage during the accumulation phase (e.g. disability, death, etc.). With regard to the time horizon of the fee cap the VVO strongly calls on **considering average yearly costs**. This approach would be suitable for all products with different costs structures irrespective of the timing of costs. A strict yearly fee cap would prove a real challenge and be detrimental to the PEPP take-up. The mock-up for the PEPP-KID provided by EIOPA provides for a good example showing the effect of considering the effective yearly costs: The suggested one-off entry costs disclosed for in the PEPP KID mock-ups (administrative and distribution costs in the first year amounting to 75 euros) would already exceed by far the allowed amount in the first year for PEPP with a 100 euros monthly contribution.	
209.	VVO	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	**Answer to Q7:** Risk-mitigation techniques should be defined in a way that insurance companies are able **to offer attractive PEPPs to the benefit of customers**. A high-level principle-based approach for all types of risk mitigation techniques, combined with a holistic stochastic model and eligibility criteria to ensure consumers' interest are well protected is welcomed. A level playing between all types of risks mitigation techniques should be ensured. Since there are many unknown elements about the economic stochastic model referred to in the consultation paper it is difficult to properly assess EIOPA's approach for risk mitigation techniques.	Partially agreed, please see the response to comment number 11.

No	Name	Reference	Comment	Processing
			If EIOPA continues to consider the approach that a certain probability that the capital invested will be recouped at the end of the accumulation period should be reached we call on EIOPA to properly assess the feasibility of the proposed threshold. Depending on the economic stochastic model and its calibration it might be that the proposed **99 % probability is too ambitious** in order to be able to create attractive PEPPs for customers. For instance, simulations based on a standardised model that is used in practise with investments in government bonds show that it is not possible to create an attractive Basic-PEPP for consumers and providers if the probability of 99 % is required. With regard to the risk mitigation techniques we further call on EIOPA not to go beyond the regulation laid down in the PEPP Level-I-Regulation. The regulation requires capital protection **only at the end of the accumulation period** and there is **no need to outperform the UFR** and to **provide inflation coverage**. **Life-cycling strategies:** We welcome EIOPA's suggested high-level/principle-based approach when dealing with life-cycling strategies. Introducing excessively restrictive requirements to frame these techniques could challenge innovation on financial markets and defeat their added value (ie. flexibility) and therefore decrease attractiveness of life-cycling to PEPP savers and providers alike. **Establishing reserves / pooling and smoothing:** Also with regard to pooling and smoothing it is important to establish a rather flexible framework with requirements and details limited to those areas necessary (such as transparency on allocation mechanism) and to not create unnecessary constraints on how P&S can be implemented by companies. For instance, it is important that the segregation of PEPP assets does not lead to unnecessarily strict ring fencing. Eligible PEPP providers should be able to use their general account to enable the launch of the PEPP product on the market and the accumulation of a certain mass establishing the "reserve". **Guarantees:** Concerning guarantees there is the general question about the definition of guarantees in the PEPP Level-I-Regulation. On the one hand, the Basic PEPP might be offered in the form of a PEPP with guarantees (only by insurance companies or banks according to their sectoral rules) or with risk mitigation techniques. On the	

No	Name	Reference	Comment	Processing
			other hand, there is a reference to "guarantees against investment losses" under the risk mitigation techniques. The link between these two types of guarantees remains unclear. In any case, the envisaged approach by EIOPA in the consultation paper that guarantees should cover the impact of inflation goes beyond the PEPP Level-I-Regulation. With regard to PEPPs with guarantees we call on EIOPA to develop a feasible approach in the framework of the Solvency II review in order to render long-term products with guarantees more attractive. Improving Solvency II requirements for long-term liabilities would enhance opportunities for nsurers to provide safe, long-term savings products.	
210.	VVO	Q9. Do you have any other general comments to the proposed approaches?	**Answer to Q9:** In relation to costs disclosures, the introduction of a harmonized taxonomy breaking down PEPP costs is a challenge, given the PEPP pan-European nature and the diversity of frameworks applicable to PEPP. Although a break-down of costs is required by the Level-I-Regulation the rationale behind a break-down should be questioned in general since there is a fee-cap of only 1% for the Basic-PEPP.	Agreed.
211.	VVO	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	**Answer to Q10:** Providing digital information may be to the benefit of both, to clients and to providers. It is important on the one hand that the approach on layering facilitates comprehensibility and provides useful pre-contractual information. On the other hand, a key element when providing **digital information is legal certainty**. Therefore, PEPP Level-II-Technical Standards should provide for clear disclosure regulation. I.e. it is important to give clear indications which information has to be disclosed in which layer in order to enhance digital communication and limits liability issues for providers.	Agreed.
212.	Assuralia	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements	Assuralia appreciates the challenging timing EIOPA has to develop the regulatory standards for PEPP. However, it seems to have led, amongst others, to a great number of *inconsistencies, issues and unclarities* with regard to the information requirements: • what is written in the consultation paper is not always consistently reflected in the illustrative examples; • for some approaches or information fields in the documents it is not clear what a provider needs to communicate.	Agreed, the requirements have been clarified.

No	Name	Reference	Comment	Processing
		are translating well the outlined objectives?	Moreover, Assuralia would like to highlight that several seemingly simple information elements can prove *technically challenging* to add. Below EIOPA can find a non-exhaustive list of remarks and issues with regard to the information requirements and documents. Assuralia strongly requests EIOPA that Assuralia is given an opportunity to provide more input once important concrete policy suggestions have been formulated and the principles and ideas EIOPA proposes for the RTS are much clearer (for example which stochastic model and what parameters should be used for the holistic approach, how the risk indicator is to be calculated and presented, …). **1. General remarks and issues** See our answer to question 2: integrating *inflation* in the different figures of the PEPP will only create misunderstandings and confusion. A solution could be to add information on inflation in the second layer of the information documents of the PEPP. Throughout the KID the '*basic PEPP*' is presented in a confusing and incomplete manner. For example, one can either tick a box that the PEPP offers a guarantee, that the PEPP does not offer a guarantee or that the PEPP is a basic PEPP. However if the PEPP in question is a basic PEPP it has to offer either a guarantee or a risk mitigating technique. Assuralia would like to make at least the following suggestions to improve the presentation of the 'basic PEPP': a. having a tick box at the same level about the presence of a guarantee and to indicate the product is a basic PEPP is confusing. A more logical approach is to first indicate whether the product is a basic PEPP or not, and to indicate in a subordinate level whether the product offers a guarantee, a risk mitigating technique or it offers no guarantee (this last option should off course only be available in the selection of a non-basic PEPP); b. not only should a tick box be added for a PEPP providing for a risk mitigating technique, there should also be room to explain or at least indicate which risk mitigating technique is being applied; c. moreover, the Regulation requires that if a basic PEPP is offered without at least a guarantee on the capital, the PEPP provider shall clearly explain in written the existence of PEPPs with a guarantee on the capital, the reasons for recommending a basic PEPP based on a risk mitigating technique and clearly demonstrate any additional risks that such a PEPP might entail in comparison to a capital guarantee based basic PEPP (cfr. art. 34, 3). This information is lacking from the illustrative examples of the PEPP KID. Concerning the *presentation of the risk indicator* Assuralia would like to highlight that: • it is not clear whether risk class 1 represents the lowest or the highest risk.	Partially agreed, the effect of inflation is important information.

No	Name	Reference	Comment	Processing
			• in illustrative example A the risk indicator has 4 risk classes, whereas in illustrative example B it only has 3 risk classes. The *suggested language* for various narratives is not always accessible to average PEPP-savers. Also, *technical concepts* such as biometric coverage, sustainability risks, sub-accounts, risk mitigation techniques and total return on your investment will require further explanations. Moreover, the way information is presented should be subject to *thorough consumer testing*. For example, the interpretation of icons, graphs and indicators can be culturally determined, the use of a specific fixed amount can make economic sense in one market, but can be a very abstract, unrealistic figure in another market, ... Several seemingly simple information elements can prove *technically challenging* to add: • obliging the use of a QR-code to hyperlink to a digital version of the document raises a number of questions: Do all these digital versions of the documents need to remain available for all times or is there an archiving limit? How is this to be managed? Where should they be stored? • In the section “Your PEPP at a glance” of the PEPP Benefit Statement reference is made to whether the customer has or has not yet opened any sub-accounts in other EU Member States. Assuralia does not understand this requirement. Art. 36, 1, (k) requires the following: “*for PEPP accounts with more than one sub-account, information in the PEPP Benefit Statement shall be broken down for all existing sub-accounts.*”. This seems to imply that a provider has to elaborate a PEPP Benefit Statement per sub-account. If this is the case there is no point in cross-referencing in the Benefit Statement to other sub-accounts. **2. Remarks/issues with regard to a specific subsection of the PEPP KID or Benefit Statement**: 2.1. PEPP KID “*what is the product?”* section In the suggested narratives there seems to be a *confusion between rules applicable to early redemption and switching:* • 5 years minimum holding period applies to switching; • switching costs are limited to actual costs and capped to 0.5% of current balance; Insurers can propose *additional biometric risk covers*. The Regulation foresees under art. 28, 3, c, v) that this section contains details of the risks covered and of the insurance benefits, including the circumstances in which those benefits may be claimed. The illustrative example only foresees a mention of this possibility without the prescribed details under above cited article of the Regulation.	

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			2.2. PEPP KID "*what are the costs?*" section *Overloading the consumer with cost figures that do not distinguish between the costs charged to the consumer and operating costs for the provider* will achieve the opposite of what is sought: the consumer will not have a clear picture how much a PEPP will cost him. Independent of the discussion on the usefulness of communicating operating costs that are not charged to the consumer, at least a more correct and clear way of communicating these different costs is by separating them in two different columns or sections; Regarding the suggested cost indicator, it is unclear what EIOPA's suggested '*Reduction in Wealth*' (RiW) indicator entails and how it should be calculated. The draft advice, the impact assessment and the illustrative PEPP benefit statement mock-up do not provide enough information. Therefore, Assuralia cannot agree with the suggested indicator. 2.3. PEPP Benefit Statement "*What could you receive when you retire?*" The illustrative example contains a *hyperlink* to a pension calculator that currently does not work. Can EIOPA clarify to what tool(s) the documents should refer? Can EIOPA also clarify who will be in charge of feeding, establishing and/or managing such information/tool(s)? The same goes for the hyperlink www.mypension.eu in the "Important information" section. 2.4. Section "*How has your PEPP changed in the past year?*" No cost of a guarantee is levied on the contributions paid-in, or on the reserve of a customer, contrary to what the mock-up of the PEPP Benefit Statement seems to imply. 2.5. section "Your PEPP at a glance" In the PEPP KID an insurer can provide information on possible biometric risk covers. However, the PEPP Benefit Statement does not foresee any information on biometric risk covers subscribed by a customer.	
213.	Assuralia, the representative body for mutual, co-operativ	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	In principle Assuralia *agrees with a holistic approach* as this seems a consistent way of presenting PEPP information. However, such a holistic approach does not seem to be applied to the full set of EIOPA's proposals. Moreover, Assuralia has several remarks with regard to the proposals as listed below. Assuralia strongly requests EIOPA that Assuralia is given an opportunity to provide more input once important concrete policy suggestions have been formulated and the principles and ideas EIOPA proposes for the RTS are much clearer	Partially agreed, see response to comment number 202.

No	Name	Reference	Comment	Processing
	e and joint-stockinsurance companies in Belgium since 1920 and represents more than 98% of theBelgian life insurance market (de Meeûssquare 29, 1000 Brussels, EuropeanTransparency Register nr. 0026376672-48		(for example which stochastic model and what parameters should be used for the holistic approach, how the risk indicator is to be calculated and presented, …). **1. Pension projections** As such Assuralia agrees with the logic of calculating a pension projection as the sum of a long term risk free rate and a risk premium per asset class. However, Assuralia does not agree with the following factors used in the calculation: 1.1. The *UFR*. This is the intrest rate at year 60. In the Belgian market consumers prefer a payout in capital at retirement. Any PEPP will never have a duration of 60 years. Therefore the UFR is not the right measure for the long term risk free interest rate for these products. Moreover, it is unclear whether EIOPA suggests to only use the UFR itself or whether EIOPA means to use the whole rate curve that extrapolates from the last liquid point to converge with the UFR; 1.2. *Inflation*. Assuralia agrees that a consumer needs to be aware of the impact of inflation on his savings. However, Assuralia does not agree to calculate and communicate inflation-corrected projections as these create *wrong consumer expectations and are misleading*: - They create wrong expectations with customers as to the pension benefit they will receive. A pension projection based on the UFR entails that inflation will be covered. However, it is extremely challenging — if not *impossible — to protect accumulated savings against inflation* considering inflation's fluctuant nature and the fact that it is not known at the time when the guarantee is issued. Such commitment would result in an unquantifiable promise, most likely not authorised by national supervisory authorities and way too burdensome from a prudential point of view. Otherwise, it would require to exclusively invest in inflation indexed bonds, which are not widely available in Europe and would defeat the investment diversification policy agenda. Moreover, it does not consider the fact that in most EU countries, inflation is higher than maximum guaranteed interest rates set at national level. - integrating inflation in the different figures of the PEPP will only create *misunderstandings and confusion* with customers. Especially since no other products on the market communicate inflation-corrected figures. There is a real risk that consumers will compare returns of financial products, that are not inflation corrected, with the pension projections of a PEPP, without realising that they are comparing two completely different kinds of returns; Moreover, if a customer changes EU member state and takes his PEPP along the next year he will receive a PEPP benefit statement for the same product in which the pension projections could potentially significantly differ from the pension projections he received the previous year. It is	

No	Name	Reference	Comment	Processing
			doubtful that the consumer will realise this is only due to the effect of the difference in inflation rate of both member states. As said before, Assuralia agrees that a consumer needs to be aware of the impact of inflation on his savings. However, calculating inflation-corrected figures is not the best way forward. A solution could be to add information on inflation in the second layer of the information documents of the PEPP; Overall, it is not clear to Assuralia how these pension projections would work for a PEPP that uses '*life cycling'* as a risk mitigating technique. This technique consists of regularly rebalancing the asset portfolio, taking into account the profile of the customer or group of customers. Do these products require multiple basic return assumptions? How does this fit with a single, standardised precontractual PEPP KID that can only provide non-customerspecific product information? **2. Risk indicator**: Assuralia agrees to mention *credit risk* separately and in a narrative manner. However, it is impossible for Assuralia to understand the concrete calculation proposal for *market risk*. Some paragraphs of the consultation paper suggest that the market risk will be determined based on stochastic models (without specifying which one), other paragraphs suggest that a deterministic approach will be used. Therefore Assuralia cannot react or formulate any concrete suggestions on the way market risk is being treated. Assuralia would like to have the opportunity to react to this once the proposal is more clear. In any case a *product that offers a guarantee* should end up in the lowest risk class as it is the least risky option for the consumer, as also clearly acknowledged in the Regulation (cfr. art.34, 3 "*[..] the reasons for recommending a basic PEPP based on a risk mitigating technique and clearly demonstrate any additional risks that such a PEPP might entail in comparison to a capital guarantee based basic PEPP.*"). Products that offer a guarantee transfer the financial risk from the consumer to the provider. Even if stochastically there is a good chance that products with a risk mitigating technique reach a given goal, they inherently expose the customer to the financial risks involved with long term investments. Assuralia would also like to point out that, contrary to what seems to be suggested in the consultation paper (p. 15) *distribution rules* do not always allow to take higher risks to mitigate the risk of not reaching the retirement income objective. This fully depends on the risk appetite of the customer. Creating a *new risk indicator next to already existing indicators*, such as the UCITs risk indicator and the PRIIPs risk indicator could create more confusion for a customer as the same fund could be integrated in a UCIT, a	Partially agreed, it is necessary to deviate from PRIIPs to reflect on the pension specific risks.

No	Name	Reference	Comment	Processing
			PRIIP and a PEPP. To minimise this confusion it is important to at least give each indicator a distinctly different name.	
214.	Assuralia, the representative body for mutual, co-operative and joint-stockinsurance companies in Belgium since 1920 and represents more than 98% of theBelgian life insurance market (de Meeûssquare 29, 1000 Brussels, EuropeanTranspa	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	It is very unclear what this proposal entails. Based on the text in the consultation paper it is not even clear whether a stochastic or a more deterministic methodology is being suggested. For example, on the one hand it states on p. 14 “for the quantification of the risk measure the standard deviation of the mean expected outcome together with probabilities of reaching returns in line with the ultimate forward rate is suggested to be used.”. On the other hand it states on p. 15 “[..] sees benefit in developing a simplified, more standardised approach for the market risk assessment within the summary risk indicator. This is linked to the option to define standardised risk premia per broad asset class to be used as a basis for the performance scenarios.” Since it seems that EIOPA basically suggests to calculate the performance scenarios (pension projections) as a combination of a risk free rate (the ultimate forward rate?) and a risk premium per asset class, wouldn’t this mean that the quantification of the risk measure basically equals the standardised risk premia per broad asset class? As the proposal is so unclear Assuralia cannot react to or give a clear opinion on the suggestion to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate. Assuralia would like to have the opportunity to react to this once the proposal is more clear. In any case a *product that offers a guarantee* should end up in the lowest risk class as it is the least risky option for the consumer, as also clearly acknowledged in the Regulation (cfr. art.34, 3 “*[..] the reasons for recommending a basic PEPP based on a risk mitigating technique and clearly demonstrate any additional risks that such a PEPP might entail in comparison to a capital guarantee based basic PEPP.*”). Such products transfer the financial risk from the consumer to the provider. Even if stochastically there is a good chance that products with a risk mitigating technique reach a given goal, they inherently expose the customer to the financial risks involved with long term investments. Assuralia would also like to point out that, contrary to what seems to be suggested in the consultation paper (p. 15) *distribution rules* do not always allow to take higher risks to mitigate the risk of not reaching the retirement income objective. This fully depends on the risk appetite of the customer. Creating a *new risk indicator next to already existing indicators*, such as the UCITs risk indicator and the PRIIPs risk indicator could create more confusion for a customer as the same fund could be integrated in a UCIT, a	Partially agreed, the requirements have been further developed and clarified.

No	Name	Reference	Comment	Processing
	rency Register nr. 0026376672-48		PRIIP and a PEPP. To minimise this confusion it is important to at least give each indicator a distinctly different name.	
215.	Assuralia	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	As stated in our answer to question 3 it is not clear at all what EIOPA proposes. Based on the text in the consultation paper it is not even clear whether a stochastic or a more deterministic methodology is being suggested. If a stochastic methodology is being proposed, we still don't know what kind of probability distribution should be calculated, nor what reference value we ultimately need to use (tail value, confidence interval, …). This means we do not know what key assumptions and input will be necessary, nor which ones of those need to be set at company level and which ones need to be set for all providers (by EIOPA or another body). In any case Assuralia would like to point out that the Regulation charges national supervisory authorities with the supervision of the PEPP. If it is deemed necessary to set key assumptions and input for all providers one could Therefore wonder whether it is not the national supervisory authority rather than EIOPA who should set these key assumptions and inputs, especially since there might be an interlinkage with national pension regulation conditions that have to be met by all pension products proposed on these national markets. Assuralia strongly requests EIOPA that Assuralia is given an opportunity to provide more input once important concrete policy suggestions have been formulated and the principles and ideas EIOPA proposes for the RTS are much clearer (for example which stochastic model and what parameters should be used for the holistic approach, how the risk indicator is to be calculated and presented, …).	Noted.
216.	Assuralia, the representative body for mutual, co-operative and joint-stockinsu	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	**1. 'All-inclusive' approach** Assuralia does not agree with the *'all inclusive' approach* to the Basic PEPP's cost cap on several points: - Mixing together operating costs for the provider with the costs charged to the consumer creates a *very confusing* situation and *does not reflect the reality* of the costs that are deducted from a consumers premium or reserve; - adding the *cost of advice* under the cost cap will have a perverse effect that the PEPP will be sold with lower quality advice than other products, whereas pension products pre-eminently need to be sold with extensive and good quality advice. Especially since pension products, such as the PEPP, are long term products that require follow-up advice during the lifetime of the product. Furthermore, selling a PEPP with limited advice will entail the risk of having a negative effect on consumer trust in the PEPP. Adding the cost of advice under the cost cap can have another pervers effect as it creates a conflict of interest for the advisor: the cost cap only applies to the basic PEPP, which means that advice costs are only capped	Partially agreed, the requirements have been further clarified. Please see the response to comment number 11.

No	Name	Reference	Comment	Processing
	rance companies in Belgium since 1920 and represents more than 98% of theBelgian life insurance market (de Meeûssquare 29, 1000 Brussels, EuropeanTransparency Register nr. 0026376672-48		for this basic PEPP, not for other PEPPs on offer. This could create a monetary incentive on behalf of the advisor to advice another PEPP to the customer than the basic PEPP. Certainly, distribution rules require providers and distributors to avoid conflicts of interest where possible, and if they cannot be avoided, to manage them and take mitigating measures. However, not only should it be noted that different distribution regimes apply for different providers and distributors, but that there are also differences in national interpretation and implementation of what consists of a conflict of interest and what mitigating measures can be taken. What will be considered a potential conflict of interest or mitigating measure in one member state or sector might not be considered as such in another member state or sector. **2. Cost of a guarantee** Assuralia would like to point out that *guarantees are not a cost* but a distinct sectorial feature which is different in nature in comparison with other risk mitigation techniques. Therefore the discussion whether a cost of guarantees should or should not be included in the cost cap is irrelevant. • Both “life-cycling” and “establishin buffers or reserves” leave the risks with the customers (either with customers on an aggregate mutualized basis or with customers individually); • A guarantee transfers risks away from the customer to the (insurance) company. The presence of a guarantee is *reflected in the height of the interest rate* an insurer can offer and is *not a cost that is deducted from a customer’s premium or reserve*. As such it is not clear at all to Assuralia what the rational is behind this proposal, EIOPA would like to calculate and what it would like to convey to customers, for example: - is EIOPA trying to express some sort of opportunity cost as it seems to imply on p. 32 of the consultation paper (even if this section treats a different kind of guarantee, as it is one of the risk mitigating techniques that can be offered as an alternative to a hard guarantee offered directly by the PEPP manufacturer). In that case, Assuralia would like to highlight that any choice of a consumer for a given PEPP implies an opportunity cost of not having saved or invested in another manner or another product, so it should also be calculated for other PEPPs; - is EIOPA trying to express some efficiency cost of the provider? If so, what use would this be to the consumer? And then again, why would a customer only need this information for a guaranteed PEPP and not for other types of PEPP; - is EIOPA trying to express the regulatory costs linked to such a guarantee (some sort of cost of capital); - … As stated above the presence of a guarantee is reflected in the height of the interest rate an insurer can offer and is not a cost that is being deducted from a customer’s premium or reserve. Contrary to what the mock-up of the PEPP Benefit Statement seems to imply, no cost of guarantee will be levied on the contributions paid-in or on the reserve of a customer. Therefore Assuralia does not see the goal EIOPA tries to achieve. Only when	

No	Name	Reference	Comment	Processing
			EIOPA clarifies this Assuralia can express concrete remarks and suggestions to EIOPA to find an appropriate solution. In any case it should be acknowledged that according to the goal EIOPA wants to achieve a different set of assumptions, parameters and calculation methods have to be set. It should be examined whether these methodologies give meaningful and stable results throughout the lifetime of the product, whether they are useful for, and understood by consumers, and whether these results permit some sort of follow-up or comparison, if that is the goal; **3. Cost indicator** Regarding the suggested cost indicator, it is unclear what EIOPA's suggested Reduction in Wealth (RiW) indicator entails and how it should be calculated. The draft advice, the impact assessment and the illustrative PEPP benefit statement mock-up do not provide enough information. Therefore, Assuralia cannot agree with the suggested indicator. **4. Additional general remarks on the cost cap and cost information** More generally Assuralia would like to raise the following additional remarks: - as in PRIIPs one should be aware that the costs of different kinds of product are not readily comparable, as the characteristics of these products are different and these differences are not easily quantifyable and taken on board in a cost comparison; - such a theoretical approach leads to unclear information for consumers. It should be made sure that consumers receive clear information about the real costs deducted from their premium and reserve; - a cost cap can create market disruption as bigger companies can use economies of scale to remain below the cost cap, whereas they do not per se guarantee better quality products than smaller companies, just because of their size; - what happens if sudden, external market circumstances, on which a PEPP provider has no influence, create a rise in costs for the provider that go beyond the 1% cost cap (for example a steep rise in inflation, labour costs or financial market upheaval)? - it would be advisable to make an analysis or simulation of the economic feasibility of the cost cap, considering all the conditions a PEPP needs to fulfil. This would allow for policy choices that are economically realistic and necessary for the success of the PEPP.	
217.	Assuralia , the represen tative body for	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should	First of all Assuralia would like to point out that the Regulation contains a *non-exhaustive list* of risk mitigating techniques. The fact that EIOPA sets out principles for the three risk mitigating techniques that are cited in this non-exhaustive list should not prevent providers from being able to propose other risk mitigating techniques (such as mechanisms of 'profit-locking' or 'stop-loss').	Partially agreed, the requirements have been amended and further clarified.

No	Name	Reference	Comment	Processing
	mutual, co-operative and joint-stockinsurance companies in Belgium since 1920 and represents more than 98% of theBelgian life insurance market (de Meeûssquare 29, 1000 Brussels, EuropeanTransparency Register nr. 0026376672-48	EIOPA consider in its further work?	This being said Assuralia has the following supplementary remarks and suggestions: - it is not clear whether the risk mitigating techniques need to be applied at the *level of the customer or at the level of the product* (the assets under management or the reserve of the product). It seems to be more appropriate to apply a 'life-cycling' technique at the level of the customer (or a group of customers), whereas the technique of establishing buffers or reserves clearly needs to be applied at the level of the product. - the principles set out for the three risk mitigating techniques *lack substance* and raise a lot of questions. This holds especially true for the principles set forth regarding the technique of establishing buffers: what are the rules to set up such a technique (and thus such a buffer)? What are the rules to manage it? And what are the rules to close down such a product (ex. What happens with the remaining buffer)? - to be eligible to the Basic PEPP, we understand that the investment strategy must ensure, considering the results of the stochastic modelling, a *99% probability that the capital invested will be recouped*. This probability is lowered to 95% for the alternative investment options and when the PEPP duration is lower than 10 years: o it is necessary to be provided with information on the stochastic economic model itself before being asked to comment on the numbers that will be derived from it; o pronouncing itself on the feasibility of these % thresholds is all the more confusing due to EIOPA's proposals to gold plate the level 1 objectives for example by including inflation, whereas the Regulation defines that PEPP should ensure nominal capital protection; o another concern derives from the fact that EIOPA suggested % thresholds are to be met during the accumulation phase. Such requirement would be another deviation from the political agreement enacting that PEPP capital protection objective should be met at the end of the accumulation only (article 55); o We are not sure what would be the merits of lowering the probability threshold when a PEPP has a duration period shorter than 10 years. It would be confusing that savers are entitled different levels of protection when purchasing the exact same PEPP depending on the timing. - it is unclear how a '*life-cycling*' technique can be applied beyond the end of the accumulation phase, whether this postphones the start of the decumulation phase or it continues to be applied while decumulation has already started, nor why this should be foreseen. As Assuralia understands it the risk mitigating techniques are 'best effort'-obligations, which are 'obligations of means', contrary to a guarantee, which is an 'obligation of results'. When applying a risk mitigating technique the provider should do its best to reach the retirement goal at retirement age, without having to provide a hard guarantee that he will succeed. In that sense, there is no need to apply the technique beyond the end of the accumulation phase.	

No	Name	Reference	Comment	Processing
			Assuralia strongly requests EIOPA that Assuralia is given an opportunity to provide more input once important concrete policy suggestions have been formulated and the principles and ideas EIOPA proposes for the RTS are much clearer (for example which stochastic model and what parameters should be used for the holistic approach, how the risk indicator is to be calculated and presented, …).	
218.	Assuralia, the representative body for mutual, co-operative and joint-stockinsurance companies in Belgium since 1920 and represents more than 98% of theBelgian life insurance market (de Meeûssquare 29, 1000 Brussels, Europea	Q9. Do you have any other general comments to the proposed approaches?	Assuralia would like to thank EIOPA for the opportunity to respond to its ideas on regulatory technical standards for the PEPP. However, Assuralia is very worried by the apparent conceptual nature of the proposals and the resulting lack of detail and clarity of these proposals on the one hand, and the short deadline for EIOPA to finalise them on the other hand. Assuralia strongly requests EIOPA that Assuralia is given an opportunity to provide more input once important concrete policy suggestions have been formulated and the principles and ideas EIOPA proposes for the RTS are much clearer (for example which stochastic model and what parameters should be used for the holistic approach, how the risk indicator is to be calculated and presented, …). This is particularly important as the very conceptual nature of the proposals makes it very hard for Assuralia to understand the exact goal and extend of EIOPA's proposals. This prevents Assuralia from evaluation the concrete impact and formulating detailed suggestions and remarks on the proposals. This being said Assuralia has the following important reactions and suggestions that can be summarized as follows (for the detailed reaction we refer to our answers to the other questions of the consultation): **1. Cost cap and cost calculation**: Assuralia would like to point out that *guarantees are not a cost* but a distinct sectorial feature which is different in nature in comparison with other risk mitigation techniques. Therefore the discussion whether a cost of guarantees should or should not be included in the cost cap is irrelevant. ○ Both "life-cycling" and "pooling and smoothing" leave the risks with the customers (either with customers on an aggregate mutualized basis or with customers individually); ○ A guarantee transfers risks away from the customer to the (insurance) company. The presence of a *guarantee is reflected in the height of the interest rate* an insurer can offer and *is not a cost that is deducted from a customer's premium or reserve* (contrary to what the mockup of the PEPP Benefit Statement seems to imply). Therefore Assuralia does not see the goal EIOPA tries to achieve. Only when EIOPA clarifies this Assuralia can express concrete remarks and suggestions to EIOPA to find an appropriate solution. In any case it should be acknowledged that according to the goal EIOPA wants to achieve a different set of assumptions, parameters and calculation methods have to be set; adding the *cost of advice* under the cost cap will have a perverse effect: the PEPP will be sold with limited and lower quality advice than other products, whereas pension products pre-eminently need to be sold with extensive and good quality advice. Especially since pension products, such as the PEPP, are long term	Noted.

No	Name	Reference	Comment	Processing
	nTransparency Register nr. 0026376672-48		products that require follow-up advice during the lifetime of the product. It could also potentially create a conflict of interest for the advisor as distribution costs will only be capped for the basic PEPP, not for other PEPPs. Furthermore, selling a PEPP with limited advice will entail the risk of having a negative effect on consumer trust in the PEPP. *Overloading the consumer with cost figures that do not distinguish between the costs charged to the consumer and operating costs for the provider* will achieve the opposite of what is sought: the consumer will not have a clear picture how much a PEPP will cost him; **2. Pension projections**: As such Assuralia agrees with the logic of calculating a pension projection as the sum of a long term risk free rate and a risk premium per asset class. However, Assuralia does not agree with the following factors used in the calculation: The *UFR*. This is the intrest rate at year 60. In the Belgian market consumers prefer a payout in capital at retirement. Any PEPP will never have a duration of 60 years. Therefore the UFR is not the right measure for the long term risk free interest rate for these products; *Inflation*. Assuralia agrees that a consumer needs to be aware of the impact of inflation on his savings. However, integrating inflation in the different figures of the PEPP is misleading and will only create misunderstandings and confusion. A solution could be to add information on inflation in the second layer of the information documents of the PEPP; **3. Risk indicator**: Assuralia agrees to mention *credit risk* separately and in a narrative manner. However, it is impossible for Assuralia to understand the concrete calculation proposal for *market risk*. Therefore Assuralia cannot react or formulate any suggestions on the way market risk is being treated. Assuralia would like to have the opportunity to react on this once the proposal is more clear. In any case a *product that offers a guarantee* should end up in the lowest risk class as it is the least risky option for the consumer. Such products transfer the financial risk from the consumer to the provider. Even if stochastically there is a good chance that products with a risk mitigating technique reach a given goal, they inherently expose the customer to the financial risks involved with long term investments. Assuralia would also like to point out that, contrary to what seems to be suggested in the consultation paper (p. 15) *distribution rules* do not always allow to take higher risks to mitigate the risk of not reaching the retirement income objective. This fully depends on the risk appetite of the customer. **4. Information requirements**: Assuralia noticed a great number of *inconsistencies and unclarities* in the information requirements:	

No	Name	Reference	Comment	Processing
			- what is written in the consultation paper is not always consistently reflected in the illustrative examples; - for some approaches or information fields in the documents it is not clear what a provider needs to communicate. **5. Risk mitigating techniques**: Assuralia would like to point out that the Regulation contains a *non-exhaustive list* of risk mitigating techniques. The fact that EIOPA sets out principles for the three risk mitigating techniques that are cited in this non-exhaustive list should not prevent providers from being able to propose other risk mitigating techniques. This being said, the principles set out for the three risk mitigating techniques lack substance and raise a lot of questions. This holds especially true for the principles set forth regarding the technique of establishing buffers: what are the rules to set up such a technique (and thus such a buffer)? What are the rules to manage it? And what are the rules to close down such a product (ex. What happens with the remaining buffer)?	
219.	Dutch Federation of Pension Funds (Netherlands)	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	We have worked with our European associations (PensionsEuropean and AEIP) on their respective positions on this consultation. Nevertheless, we wanted to make the following comments on behalf of the Dutch pension fund sector. In today's low-yield environment, costs increasingly weigh on the returns for pension savers. We therefore agree that policy-makers pay attention to the cost-efficiency of the providers of pension products. Nevertheless, in general we are not in favour of regulatory intervention in the form cost caps, but instead believe in comprehensive cost disclosure. For this reason, the Dutch pension sector has introduced a stringent framework for cost disclosure by Dutch IORPs. The purpose is that the trustees representing the stakeholders – the participants and social partners – have a clear understanding of the cost-efficiency of the scheme. This enables them to benchmark against comparable schemes and take measures if the costs levels are deemed too high. These benchmarking exercises are one of the drivers of consolidation of pension funds in the Netherlands, as smaller funds with less economies of scale come to the conclusion that continued independent existence is no longer in the interest of the participant. The fact that there is no cap enables the differentiation of costs levels for justifiable reasons. Some funds take the view that active management leads to better returns or have an above average, yet still prudent, exposure to high-costs assets such as private equity. Others may provide additional services such as retirement planning.	Partially agreed, thank you for sharing your insights.

No	Name	Reference	Comment	Processing
			Nevertheless, the comprehensive cost disclosure enables a clear comparison for the trustees overseeing the fund. In any case, the vast majority of the members of the Dutch Federation of Pension Funds operates at a cost level well below the 1% cap, with the asset-weighted mean being 0.65%[84] in 2017. Of the very few that are in the vicinity or above, a significant number are considering or undergoing liquidation. At these low cost levels, funds typically will still will have a prudent exposure to alternatives and offer outstanding long-term average returns. The economies of scale, lack of distribution costs and not-for-profit character makes the second pillar in the Netherlands simply much more attractive from a cost perspective than the third pillar. We believe that a reliable comparison of costs between PEPP providers, but also with other pension products, is in the benefit of the consumer. The definitions of the costs to be disclosed in the KID and BS should be comprehensive and prevent the understatement of actual cost incurred. We therefore recommend EIOPA to draw inspiration for the Dutch framework for cost disclosure for IORPs, as there is room to improve the comprehensiveness and consistency of the definitions of costs in the proposed draft Level 2 measures. The framework can be found here: https://www.pensioenfederatie.nl/stream/recommendations-on-administrative-costs.pdf. Inconsistency or unclarity can be addressed in the following manner: • 'Investment costs' and 'asset management costs' seem to be used interchangeably in the descriptive text and the text of the actual draft RTS article xa on page 29. • The consultation document gives descriptions what is to be understood by 'administration costs', 'distribution costs', 'cost of safekeeping of assets', 'portfolio transaction costs' and 'costs of the guarantee'. However, these descriptions do not feature in the text of the draft RTS and therefore has no legal value. There would be merit to include the descriptions as non-exhaustive examples in the recitals. In order to make sure that all relevant costs are captured, the measures should also include principles for cost disclosure. These principles should include: • A look-through approach for investments in investment funds.	

[84] Source: DNB Statistics and own calculations.

No	Name	Reference	Comment	Processing
			• Matching principle: Revenues and costs are attributed to the accounting period to which they relate, and costs are stated in the accounts for the same period as the related revenues. • No offsetting of costs against revenues • Non-recurrent costs should be incorporated Finally, we have comments on the specific cost items: Asset management costs • There could be a clarification that all internal and external costs to the management of assets should be included. Internal costs include personnel costs and overhead related to asset management. External costs include base fees and performance for external asset managers, as well as fees for any other service providers, such as research costs. This could be part of the recitals. Portfolio transaction costs • The focus on costs related to transaction 'fees' seems to exclude the costs of bid-offer spread. In reality this does reduce the value of the assets, so we recommend include mid-spread as costs. • In some jurisdictions there are transaction taxes, which also incur a costs. These should be included.	
220.	Assoprevidenza (Italy) organization for welfare and 2nd pillar pension managed by social partners	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	Assoprevidenza agrees with EIOPA that the presentation of the information documents should be PEPP-specific, as there is an important need to properly reflect the risk and performance of different investment strategies in the context of the long-term time horizon of the PEPP, which therefore requires tailor-made rules and cannot be derived from previous work on the PRIIPs and IDD IPID. We consider these templates a good basis for discussion and we believe there are several areas for improvement and simplification. In particular about presentation of costs: ○ We note that the consultation document includes descriptions of what is to be understood by 'administration costs', 'distribution costs', 'cost of safekeeping of assets', 'portfolio transaction costs' and 'costs of the guarantee' (p. 19). However, these descriptions do not feature in the text of the draft RTS and therefore their legal value is unclear. We highlight that the introduction of a harmonised taxonomy breaking down PEPP costs is a challenge, due to the different frameworks applicable to PEPP providers and the pan-European nature of the PEPP. ○ To ensure the comparability of the PEPPs, the definition of the costs to be included in the KID and BS should be complete and should prevent confusion of the costs actually incurred. The RTS should therefore include better definitions as well as common principles for disclosure	Agreed, the requirements have been clarified.

No	Name	Reference	Comment	Processing
			○ The breakdown of costs should include information on the cost of the guarantee, as both examples are guaranteed products. We highlight that, if the cost of the guarantee will be excluded from the fee cap, it is key to include a definition and to disclose detailed information on its nature and related costs.	
221.	Assoprevidenza (Italy)	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	We welcome the EIOPA's holistic approach and we welcome the idea to provide the return assumptions to be used in the stochastic modelling. But we underline that there are some risk mitigation technique that need smoothing and pooling mechanism.	Agreed.
222.	Assoprevidenza (Italy)	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	ASSOPREVIDENZA deems it necessary to use an indicator compatible with a retirement framework; the objective of the Pepp, as a long-term investment, should be at least to generate a return in excess of inflation. In our view the Ufr risks to be an unfeaseable target, and in the end it risks to undermine the interest of the subscribers of the Pepp who could end up with an unfit product than their retirmenent needs.	Agreed.
No	**Name**	**Reference**	**Comment**	**Processing**
223.	Assoprevidenza (Italy)	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	Assoprevidenza agree on the fact that Eiopa should set the key assumptions and inputs used for the stochastic modelling given the pan-european scale of the Pepp. However, in the consultation document there is not a clear definition of the inputs for the stochastic modelling Eiopa wants to put in place, only broad concepts and ideas are proposed for comments. We hope that before submitting Rts to the Eu Commission, Eiopa will consult stakeholders on a so important piece of the Pepp regulation.	Agreed.
224.	Assoprevidenza (Italy)	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to	We welcome the idea of EIOPA. However, but the "ad hoc" standardized supervisory reporting needs to be as much as possible harmonised with the existing requirements covered by sectorial legislation. We agree that Pepp product supervision requires a set of relevant information to carry out the supervisory duties.	Agreed.

No	Name	Reference	Comment	Processing
		carry out the duties of home and host supervisors as well as of EIOPA?	Furthermore, National Supervisory authorities in the supplementary pension sector often have a role of supervisor instead of regulator, as the production of standards in this area often remains of competence of the legislative bodies. Having to deal mainly with risk analysis and guarantees of solvency of the funds, these Authorities resort to the impact analysis of the regulation mainly for the definition of the tools with which they exercise their supervisory powers, through the inspection activity and the measures they put in place to ensure correct information and transparency in the relationship with users. For this reason the activity of the national Authority is indispensable alongside EIOPA.	
225.	Assoprev idenza (Italy)	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	We believe and advocate for the transparency of costs and fees, which should be fully disclosed. Cost transparency is essential and play a key role in terms of costs reduction The 1% **fee cap** only looks at costs and charges, while leaving behind considerations on the performance. Furthermore, as an annual cost, 1% is believed to be rather low, and may severely limit the market and too restrictive fee cap might risk lowering the quality of advice. We suggest to value the possibility to exclude and clearly disclose the costs of biometric coverage. Assoprevidenza also supports the exclusion of the advice costs from the fee cap requirement. As many occupational pension funds report their costs in a comprehensive manner, there should be a level playing field and fair competetition with the PEPPs. In that sense, we should have comprehensive definitions of costs in disclosures. If the PEPP costs are calculated in a different, less comprehensive way, it may seem that PEPPs are more cost efficient than they really are comparatively to occupational pension funds. Moreover, and in regards to a potential successful implementation of the PEPP, we would like to stress that the cost cap is not comparable with certain national synthetic indicators on costs, such as in Italy.	Agreed.
No	**Name**	**Reference**	**Comment**	**Processing**
226.	Mefop (Italy)	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	Mefop agrees on the fact that the presentation of the Pepp Kid and Pepp Benefit Statement should be tailor-made and not derived from previous work on the Priips and Idd Ipid. Pepp is a 3rd pillar pension product and is different from any other retail product, this difference has to be reflected also in the information documents. We also share the approach followed by Eiopa to consult on different types of mock-ups and to perform a consumer testing phase to directly access whether the templates are really feasible to understand from consumers. Follow some specific comments on the sections of the Pepp kid mock-ups. <u>"What is this product"</u>: some simple insights on the investment strategy lack and could be added. Eiopa could evaluate the opportunity to show this information with that on Esg to maintain a simplified approach. The record on guarantees/risk-mitigation techniques should only include two choices: "Guarantees" or "Risk-mitigation technique" as it is stated in the Regulation. The choice between "guarantee" and "no guarantee" is	Agreed, the templates have been further clarified.

			misleading because the customer is not informed that there is a risk mitigation strategy into the Basic Pepp. Whether it is a Basic Pepp option is already stated under “Product Type” in the opening part of the Kid. “What are the costs?” Mefop agrees on the fact that the introduction of a harmonised taxonomy breaking down the costs of the Pepp is one of the main challenges, due to the different frameworks applicable to Pepp providers and the pan-European nature of the Pepp. The consultation document provides a broad description of the costs to be broken down in the Kid, however given the fact that no binding definitions are fixed in the Rts, their legal value appear to be uncertain. The risk that providers may divert from the taxonomy contained in the consultation paper cannot be avoided. In order to ensure a common level playing field between Pepp providers, the definitions of the costs to be included in the Kid (and in the Pepp Benefit Statement as well) should be comprehensive and Rts should include definitions and common principles for disclosure. In definig this task we invite Eiopa to consider carefully member state’s esperiences to prevent an uneven playing field between Pepp and personal pension product already sold/distributed in the member states. The presentation of the costs should be provided in the same way both in the Kid and in the Benefit Statement in order to prevent confusion between consumers. We noted that in the Kid the financial costs are reported as “Investment costs” while in the Benefit Statement they are reported as “Asset management costs”; we support the use of a single and common definition of the financial costs in both information documents. The mock-ups of the Kid do not provide the disclosure of the guarantee (when available – both templates refer to a Basic Pepp with a guarantee). We support the inclusion of this cost also in the Kid, otherwise the customer subscribing a Pepp with a guarantee risks to have a misleading picture of the costs he would occur. The failure to include the cost of the guarantee could trigger a side effect in the internal markets ending up in an unfair competition between Pepp and personal pension products already sold/distributed in the member states in the case in which the disclosure of the cost of the guarantee is mandatory in the pre-contractual documents (and in the accumulation phase documentation as well). For all these reasons Mefop fully support the idea behind the Eiopa draft Rts on cost cap for the Basic Pepp as set in art. xa(4) of the draft Rts at page 29 of the consultation document (unfortunately Eopa itself is not consistent with that provision). We agree on the distinction between on-going and one off costs, however the way in which Eiopa gives their representation does not appear very explanatory from the point of view of the customers and it risks to mislead their understanding. Instead of parametrize costs on a pot of 10.000 Euros, Kid should report the exact amount of the costs that would be charged on the customers during the accumulation phase. We deem that this diplay may represent a better way to help the customers to secure a clear and exact disclosure of the cost profile of the Pepp.	

No	Name	Reference	Comment	Processing
			Other comments on Pepp Kid: Provision of the Pepp Kid in good time (see article xa, paragraph 2, page 23 of the consultation document): Mefop highlights that the statement "the person advising on or selling a Pepp shall assess the time needed by each prospective or current Pepp saver to consider the Pepp Kid" might trigger litigations between providers and customers. Moreover, it is not clear how this would work in case of robo-advice.	
227.	Mefop (Italy)	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	We share the Eiopa's holistic approach, however, we note that some of the elements of the methodology to quantify the risks, rewards and performance of the Pepp are not detailed in the consultation paper and would therefore require further assessment. Eiopa could consider the opportunity of a new public consultation when the methodology will be established. Moreover, we are concerned on some of the elements identified as building blocks of the methodology, expetially the use of the Ultimate Forward Rate (Ufr).	Agreed, the requirements have been further amended.
228.	Mefop (Italy)	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	Mefop agrees to measure the risk of the Pepp as the dispersion of pension outcomes but we are concerned about the wish of Eiopa to link it to the minimum target to reach at least the long-term risk-free rate as defined by the Ufr. In our view, in a retirement framework, the objective of the Pepp, as a long-term investment, should be at least to generate a return in excess of inflation. In our view the Ufr risks to be an unfeaseable target, and in the end it risks to undermine the interest of the subscribers of the Pepp who could end up with an unfit pot than their retirmenent needs.	Agreed, the requirements have been amended along those lines.
No	**Name**	**Reference**	**Comment**	**Processing**
229.	Mefop (Italy)	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	Mefop agree on the fact that Eiopa should set the key assumptions and inputs used for the stochastic modelling, given the pan-european scale of the Pepp. In doing so, however, Eiopa should be aware that in some member states personal pension products already obey to a high level of transparency on past performance, performance scenarios and pension projection (in some cases these rules are derived from the directive 2016/2341). In developing this task, not only Eiopa should take into account consistency and comparability of the different types of Pepp (a Eu perspective), but it should also considers the spillover on the internal markets (fair competition between personal pension already sold/distributed in the member states and Pepp). In the consultation document there is not a clear definition of the inputs for the stochastic modelling Eiopa wants to put in place, only broad concepts and ideas are proposed for comments. We hope that before submitting Rts to the Eu Commission, Eiopa will consult stakeholders on a so important piece of the Pepp regulation.	Agreed.

			We already expressed our concerns on the Ufr as a long term risk free rate; here we want to add a further concern on the use of the trend of future wages as an assumption for performance scenarios/pension benefit projections. Pepp is a personal pension product with no link to labour relationships and the regulation 2019/1238 itself states a very clear distinction between Pepp and Iorps. Eiopa could evaluate the opportunity to delete the trend in future wages as an input for performance scenarios/pension benefit projections.	
230.	Mefop (Italy)	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	Mefop agree on the fact that Pepp product supervision requires a set of relevant information to carry out the supervisory duties. In doing so Eiopa should temper a double need. First of all, to prevent a too burdensome supervisory reporting for providers, the templates should be aligned in the maximum extent possible to the supervisory reporting already in place in the different sectorial legislations, as they are transposed into the member states. Moreover, Eiopa should take into account the supervisory reporting in place for personal pension products already sold/distributed in the member states to ensure a fair competition in the internal markets.	Agreed.
231.	Mefop (Italy)	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	We recognize that the task assigned to Eiopa by art. 45(3) of the Regulation 2019/1238 is really challenging. In defining the Rts Eiopa has to temper the regulation rule (1% cap of the accumulated capital per year) with the need to give room to the provider to sell/distribute Pepp at fair and affordable conditions, expetially in the early stage of the market. In our view the choice to state the 1% cap for the cost of the Basic Pepp in the text of the Regulation has been a mistake. If Eu institutions had wanted to develop an efficient market of Pepp, they would leave to the competition among provider the task to reach this achievement. The provision of a legal constraint on costs risks to undermine the uptake of the Pepp market, do not leaving to the providers (or at least some of them) sufficient room to work on. For this reason, in setting the Rts for Eu Commission, Eiopa could at least raise the issues related to the cap cost. Moreover, during the re-assessment of the value of the cap cost (art. 45(4)), the current difficulties experienced by Pepp providers to face up to that clause will be considered carefully. However, the cap cost is on the table and Eiopa need to deal with. A clear and full disclosure of all the costs in which a potential subscriber of Pepp would incur is a key element to ensure the success of the product, so basically we agree on the "all inclusive approach" proposed by Eiopa for the definition of the cap cost. We note, however, that Eiopa is not coherent with the approach that itself has proposed. Based on the fact that the Basic Pepp can offers either a guarantee or another risk mitigation technique (life cycling or buffer/reserves), Eiopa proposes to exclude the cost of the guarantee from the cap to ensure a common level playing field and respect the principle of "treat relevantly similar cases similarly and relevantly dissimilar cases dissimilarly". From our point of view the ratio of Eiopa is questionable; following its reasoning the logical consequence should be to include in the cap all the costs that characterize the different types of Pepp and so the cost of the guarantee should be included, as well as all the other costs linked to the risk mitigation tecniques. The exclusion of the guarantee from the Basic Pepp cap would only end up with an uneven playing field for the different Pepp providers.	Partially agreed, please see the response to comment number 11.

			If Eiopa decides to exclude the cost of the guarantee from the cap, than to ensure a common level playing field, also the costs related to the other risk mitigation tecniques should be excluded. The cost cap is not comparable with certain national synthetic indicators on costs, such as in Italy. As part of these complicated reflections on which costs to include or to keep out from the cap cost of the Basic Pepp option, Eiopa should also evaluate carefully the advisory costs. Advisory is a mandatory feature of the Pepp and is key for the Pepp to success. If counted in the cap cost providers could be not incentivated to advice on the Pepp given the need to curb the cost of their work (to provide a good advisory) within 1%. That pressure risks to end up either with a failure in the growth of the market or in a provision of an inadequate advisory for subscribers. Eiopa correctly recognizes that advisory will drives the costs when starting to save in the Pepp, however it is confident that the growth in automated advisory will relax this pressure. We are concerned on that stance as digital distribution still remain a niche and we do not expect substantial changes in the near future. While there are a number of providers relying on digital distribution and automated advice, the total AuM remains low and opportunities for growth are increasingly seen as lying within hybrid models, where traditional distribution channels use some of the techniques used by digital advice models. Many savers still prefer arranging face-to-face meetings to be advised on savings and individual pensions as well.	
232.		Q9. Do you have any other general comments to the proposed approaches?	In defining Rts for the Eu Commission, we suggest Eiopa to consider carefully the potential spillover on the internal market of the member states, espetially where personal pension products are already well developed. To ensure that Pepp can really represent a viable solution for consumers when choosing between a pre-existing personal pension and a Pepp, the Rts should be set in a way that does not trigger uneven and unfair inernal market conditions. For this reasons, in defining Rts for Eu Commission, we kindly invite Eiopa not only to consider a pan-european approach (as it done) but also an internal market prespective to avoid disruption in the domestic markets.	Noted.
233.		Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	The “on-line development” of the Pepp market seems, in our view, a big challenge, at least in the early stage. Of course, Mefop fully support this wish for the benefits it would cause in terms of efficiency of the market and so better conditions for the customers. However, practical experiences in the financial market show that a big work has to be done yet to secure these potential benefits. For that reasons we recommend Eiopa to consider a “mixed approach” (a combination of traditional and innovative policies) for the uptake of the Pepp, expetially as regard the information tools and the inclusion of the advisory cost in the cap of the Basic Pepp.	Agreed.

No	Name	Reference	Comment	Processing
234.	Allianz Lebens-versicher ungs-AG Germany	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	It is important that information is presented in a way that is understandable for the consumer. This requires taking the time horizon of the product into consideration. The core information should be presented in the top digital layer (digital first) It is difficult to reconcile the examples of the documents and the concepts discussed in the CP. For instance RIW is not used in the mock-up KID costs disclosure but a completely different concept which in turn is not mentioned in the CP. The cost disclosure is based on an accrued capital of 10,000 €. This does not scale well. The 95 € per year is quite misleading as the contract shown has regular premiums. For instance in the first year the cost cap allows at most 12 € of cost, at least if the interpretation of the costs cap from the CP is used. The percentage values given in the mock-ups are more helpful. However, they need to be annualized. Otherwise, costs factors with different reference values (e.g. based on premiums or fixed amounts) will not be represented fairly. Allianz has good experience with RIY indicators, especially for contracts with regular premiums. Also the ZEW study which is mentioned in the CP comes to the conclusion that RIY is better than RIW. The ZEW study was the basis for the decision of the German legislator to use RIY for state subsidized products (Riester- und Basisrenten). The way the risk indicator is presented it remains unclear whether a higher number means a higher risk or vice versa. The probability of meeting the retirement objective is mentioned. A higher probability of meeting the retirement objective would mean less risk. So does a high number indicate a high risk or a high probability of meeting the goals? Although, inflation is mentioned several times in the CP both in the context of performance as well as risk there is no presentation of inflation in the KID. It is important that inflation is presented as loss of purchasing power of the currency and not as something product specific. Simply presenting performance in real values is not well understood by consumers. As both the premium payments as well as annuity payments represent long-term cash-flows the real values would be different for every payment. The last premium payment is often just a month before the first annuity payment. It is therefore better to explain the principle in general instead. The KID should provide the value of the lump sum/monthly payments that the saver can expect to obtain under a best, favorable and unfavorable scenario, as shown in the PEPP KID illustrative examples A and B. And in our view, the value of the lump sum/monthly payments that a saver can expect	Partially agreed, please see the response to comment 19.

No	Name	Reference	Comment	Processing
			• under the best estimate scenario should correspond to the mean (average or median) value of assets generated by the stochastic simulations. • under the favorable and unfavorable scenario should be calculated using suitable quantiles or standard deviation of the probability distribution. Regarding the benefit statement it is not clear how different compartments would be presented. Past performance in benefit statement: This would be more useful if it were based on the performance of the actual contract, i.e. last year and from the beginning. For instance with a life cycling approach a contract which started earlier will have a different performance as the asset allocation is different.	
235.	Allianz Lebens-versicher ungs-AG Germany	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	The CP seems to imagine an individual risk perspective. A "desired pension outcome" is mentioned as a benchmark in the context of the risk measurement. Surprisingly typical risk types like market risk, credit risk, liquidity risk are not used. On page 13: *…relative riskiness and performance:* *- Inflation-protected accumulated savings,* *- Reaching at least the long-term risk-free rate,* *- Limiting the* dispersion of *the future PEPP benefits.* How this is supposed to be measured remains rather vague. Also it is unclear why limiting the dispersion of benefits is a generally desired pension outcome. Dispersion can also mean upside potential especially if the downside risk is limited via a guarantee or other RMTs. How comparability of PEPP risk disclosures against that of other products (e.g. UCITS KIID or PRIIP KID) is to be enabled remains unclear. This will further increase the costs of PEPP advice, as article 34 requires preexisting contracts to be taken into account in advice. Furthermore, to outperform the risk-free rate or inflation, risks have to be taken which seems to be in contradiction to limiting the dispersion. It is unclear how these approaches are supposed to be combined. Measuring risk as "standard deviation from the mean" as mentioned in the CP has the similar problem that this also includes positive deviations from the mean. The application of RMTs means that the distribution of returns will not be symmetrical around the mean return. Therefore a measure that specifically captures downside risk would be more appropriate as it would coincide better with what consumers usually consider a risk	Partially agreed, the requirements have been further developed and specified.

No	Name	Reference	Comment	Processing
			Past performance (which observes only one scenario) may not be available and suitable for many of the products. To evaluate potential product features it may be necessary to look at many different possible scenarios. This allows assessing how products could cope with and behave in diverse market scenarios. Looking at the different RMTs, the inclusion of past performance may not be possible or meaningful for a number of products. Simulating past performance where no performance history is available may result in misleading figures and does not add valuable information to the customer. It might be difficult for consumers to understand the limitations of simulated past performance. As a result, past performance is not a good indicator for products which offer guarantees or other forms of risk mitigation. All products with RMTs will have changing asset allocation over time. For many products the asset allocation will also be path-dependent. Therefore the same rules should apply as for structured UCITS i.e. no past performance in the context of performance scenarios. Although past performance is not an indication of future performance, it can be of interest for consumers as additional information to see how the product would have performed in the past including the risk mitigation techniques that will be modeled with the same past timeline. Nevertheless, past performance depends on the product nature. For example, for products with path dependencies showing the past performance will depend on many factors. We believe a good approach to this is to define a set of parameters and let the product provider decide on the way past performance should be shown. It can be a historical time series, or a performance table with several paths for example Disclosure of past performance is more meaningful in the benefit statement where there is no uncertainty on asset allocation left and the past performance can actually be measured.	
236.	Allianz Lebens-versicherungs-AG Germany	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	We agree that a forward looking stochastic model should be used to determine the distribution of possible product returns. Different measures can then be applied to judge the risk level and effectiveness of different RMTs. We consider it important that an uniform approach is used across the whole scope. Furthermore the model and its parameters should be specified by an independent entity. The dispersion of outcomes is not a good measure for risk in this context. The use of RMT means that the distributions of possible outcomes will not be symmetrical. Thus limiting the dispersion might limit possible returns without decreasing risk. For instance if you take a product with a guarantee of the premiums paid. Increasing the costs will lower the dispersion without reducing the risk. We are against using the ultimate forward rate as a benchmark / long-term risk-free rate as this is implying that a certain return can be reached without risk. The UFR itself does not represent the risk free rate but is a	Partially agreed, the requirements have been amended in this regard.

No	Name	Reference	Comment	Processing
			forward rate which serves as a parameter for the interest rate curve. The resulting interest rate curve is much lower than the UFR.	
237.	Allianz Lebens-versicherungs-AG Germany	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	The model and its parameters should be set by an independent body in order to promote comparability and a level-playing-field. Only setting key assumptions will not be enough. Cf. Q3	Partially agreed, EIOPA is mandated to deliver on the empowerment.
238.	Allianz Lebens-versicherungs-AG Germany	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	The question is whether the level 1 text requires that the costs do not exceed 1% of the capital over the term of the contract (i.e. based on the average capital) or whether that really needs to be 1% of the current capital at any moment in time as the CP text seems to imply. If the cost cap were based on annualized figures the total amount of costs would not be changed. But it would allow a costs distribution over time that would allow an adequate and prudent cost calculation for the providers. Costs are often taken based on different reference values and at different points in time, e.g. as a percentage of the premiums, as a percentage of the assets under management, a fixed amount or in the case of fee based advice based on the time the advice takes. Therefore all costs have to be converted to a common reference value. The obvious solution would be to use the RIY which measures the costs based on the invested capital in an annualized form. This could be capped at 1% such that the costs would not exceed 1% of the capital on average. However even if RIY is not used there is a need for uniform rules on how the costs have to be converted to the common reference "capital". Otherwise a forward-looking cost calculation would not be possible if there is too much room for interpretation. For instance in Germany insurers have to set costs in advance for life insurance products and have to inform their supervisory authority of their cost calculation. They have to be able to show that the calculated costs cover the actual costs in all likelihood. The cost parameters are part of the contract and cannot be changed for existing contracts by the insurer.	Disagreed, the empowerment cannot change the design of the cost cap as required by the PEPP Regulation.

No	Name	Reference	Comment	Processing
			If the very literal approach of taking 1% of the current capital were implemented there are several downsides: • Providers might not offer contracts against "small" premiums. Or they might not be able to offer at all, if this type of costs distribution is deemed non-compliant with supervisory law. • Providers might make it their business model to become the "second provider", i.e. trying to poach customers from other providers after five or even ten years. The second provider can offer a lower cost rate (measured as a percentage of the current capital) and still have higher margin since the capital in the contract is already higher. • It is unclear how cost of advice can be redeemed. Especially if a customer changes contracts after five years it will be impossible to earn the cost of advice as the capital is very low in the first years. If the cost of advice is to be included in the cost cap it is vital that an approach based on annualized costs is taken. It is impossible to include advice if a non-annualized approach is taken. Moreover it is unclear how fee based advice can be taken into consideration. The costs of fee based advice is not known to the product provider. Also it often has to be paid up-front as a lump sum. However assuming a premium of 1000€ only 10 € can be taken from the contract in the first year. The fee will usually be significantly higher than that. Does that mean that the product provider has to add money to the contract in order to compensate for the fee of the advice? Cost of advice should be kept outside of the cost cap as solid advice for individual saver should take personal situations, retirement goals, other savings etc. into account. This can be not done in a meaningful way without significant resources and financial support of such advice. Advice for a younger person might be easier and more straightforward, but older consumers require more attention and care. Any inclusion of advice in the cost cap will massively affect the success of PEPP. Current examples from the market show, that current retirement savings products are not taking advice into account. In the context of the cost cap it is important to notice that EIOPA does not give a definition of the cost of the guarantee. It is clear that a guarantee has an impact on the risk/return-profile of a product. But all RMT have an impact on the risk/return-profile. Reducing the risk will always have an impact on possible returns. Costs of the guarantee are mentioned several times in the CP. On the one hand it appears that EIOPA is thinking of opportunity costs: cf. page 31f *Guarantees*	

No	Name	Reference	Comment	Processing
			Guarantees are an applicable risk-mitigation technique. *Individuals show a natural bias towards 'safe' and predictable outcomes and value those benefits higher than the disadvantages of potentially lower returns.* *The long-term low yield environment made offering guarantees relatively expensive, so that guaranteed rates have been significantly lowered or are not being offered any more. Relevant, explicit and comprehensible disclosures for the (prospective) PEPP saver are of paramount importance to understand better the value and the (opportunity) costs of guarantees. In particular, the impact of inflation, and the value of guarantees in monetary terms after inflation, needs to be made clear to consumers.* However opportunity costs are not costs in the traditional sense of fees or charges to the customer. Opportunity costs measure the benefits a customer misses out on when choosing one alternative over another. It is unclear which two alternatives should be compared here since there is no standard RMT which serves as a benchmark. However EIOPA seems to imply exactly that on page 29: *3. If the Basic PEPP provides for a guarantee on the capital, the costs directly linked to that capital guarantee on top of the risk-mitigation technique applied to reach a high probability to recoup the capital and charged by the PEPP provider shall not be included in the costs of paragraph 1.* On page 20 the market price of the guarantee is mentioned. It is unclear what is meant by that exactly. However the use option prices might be the idea behind that. *Costs of the guarantee: premium charged for guarantees, which reflect the market price of the cover against the risk of financial loss, or limiting the financial loss or the cover of biometric and any other risks.* It is important not to mix different concepts. If there are explicit guarantee costs these should be made transparent. However, it would be misleading to count lower probabilities of high returns twice: once in the performance section and then again as implicit guarantee costs. A clear definition of guarantee costs is needed. Only guarantee costs charged to the customer can be counted as costs in the sense of fees and charges. A discussion whether to include guarantee costs into a costs cap only makes sense for explicit guarantee costs Regarding transaction cost, we think it should also not be included in the cost cap. As this might lead to missed opportunities because those costs relate to the cost of purchase of securities in an attempt to achieve a positive performance. The higher return expected from the purchase and sale of securities is good for PEPP	

No	Name	Reference	Comment	Processing
			savers. It would also limit the possibility of running a life cycle strategy over different asset classes where the sell and purchase of instruments is part of the risk mitigation process.	
239.	Allianz Lebens-versicherungs-AG Germany	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	Principle based and uniform rules for all RMT, especially uniform measurement of risk and risk mitigation. The use of a stochastic model is already mentioned in the CP. It is important that a common standard is used for all products in order to ensure comparability and a level playing field. No different treatment for RMT which provide a guarantee. Especially only mentioning inflation in the context of RMTs with a guarantee as implied on page 34 is creating an un-level playing field. Risk mitigation techniques should include options and derivatives. Just to make sure we are specific enough in case we need such instruments. Generally, a good life cycle strategy design can lead to very high probabilities of recouping capital over a longer investment horizon. All RMT should permissible if they can be shown to meet the principles and mitigate the risk according to the agreed upon measurement Young investors have a greater capacity of taking investment risks.	Agreed.
240.	Allianz Lebens-versicherungs-AG Germany	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	We think the impact assessment for the fee cap should be strengthened by more data on the cost of providing advice.	Agreed.
241.	Allianz Lebens-versicherungs-AG Germany	Q9. Do you have any other general comments to the proposed approaches?	**UFR as long-term risk-free rate** UFR is the rate to which the risk-free Solvency II yield curve is extrapolated to after the last liquid point. It is not the risk-free rate. It is a specific technical parameter for SII calculations. It is a forward rate and not a spot rate – thus not a suitable benchmark. Furthermore it already includes an expected inflation rate. **RIW vs RIY** Consumer protectionists claim that RIY is overly dependent on assumptions (cf. page 42 of CP). However RIW is dependent on the same assumptions. Moreover it is even more dependent on the duration of the contract than RIY is. The ZEW study which is quoted in the CP shows that RIY is more robust., The was study financed by the ministry of finance (BMF) which commissioned the Leibniz Centre for European Economic Research (ZEW) to conduct a research on transparency of Riester (cross sectoral pension products). In particular ZEW analyzed the	Noted.

No	Name	Reference	Comment	Processing
			comparability of costs. In the end the BMF decided to go with RIY for the state subsidized pension products (Riester- and Basisrenten). As these products are offered by providers from different sectors this might be highly relevant for the PEPP product. Unfortunately the results are only available in German. Summary by BMF (Ministry of Finance): https://www.bundesfinanzministerium.de/Content/DE/Monatsberichte/2010/09/Artikel/analysen-und-berichte/b03/b03-Transparenz-von-privaten-Riester-und-Basisrentenprodukten.html To quote: „Aus theoretischer Sicht können Kosten sowohl in absoluten Beträgen zusammengefasst als auch als Kostenquoten (in Bezug auf die Beiträge) oder als Renditeminderung, die im englischen Sprachraum und auch in der deutschen Fachdiskussione üblicherweise als „Reduction in Yield“ bezeichnet wird, ausgewiesen werden. Beitragsbezogene Quoten und Renditeminderung können im Vergleich zu absoluten Beträgen besser interpretiert werden und reagieren weniger stark auf unterschiedliche Renditeannahmen. Besonders geeignet im Hinblick auf ihre Robustheit für unterschiedliche Renditeannahmen ist die Reduction in Yield.“ The study: ftp://ftp.zew.de/pub/zew-docs/gutachten/ZEWAltersvorsorge2010.pdf cf. top of page 5 for robustness of RIY (=Renditeminderung) Reduction in wealth in the ZEW study (cf. pages 43 and 44, footnote 32). RIY has the same reference value as cost cap while RIW has a different reference making it difficult to understand. A cost cap of 1% but costs of more than 30% will be confusing for average customer. The CP contains the claim that RIW reflects the long term nature of PEPP products better. However, we consider the aggregation of costs over the duration to be misleading: In finance costs are usually measured per annum as is also foreseen in the level one text definition of the cost cap. Also other product disclosures use annual costs figures including UCITS, PRIIP and several other national costs disclosure requirements measure costs per annum. According to the nature of the RIW concept a product with costs of 0,8 % of the accrued capita per annum and which is held for years 25 years would be cheaper than a product with lower annual costs of 0,7 % but is held for 30 years. It makes little sense to say that a fund which is held for two years is twice as expensive as a fund which is held for one year. Why does approach become valid for long term products? Impact **biometric risk premium** on investment (page 11). Why is a different definition used than for PRIIP? Either the PRIIP definition should be used or the biometric cover could have its own cost / benefit presentation. **Inflation / labor costs**	

No	Name	Reference	Comment	Processing
			Inflation and the trend in future wages are supposed to be taken into account. EIOPA describes the challenges this entails (pages 17ff) but no solutions. The examples seem to imply that only real values are shown. However, only nominal values can be compared to other product disclosures like PRIIP and UCITS. Inflation should be explained to the consumers but not as part of the product disclosure as it depends on the place of residence and not on the product choice. **Establishing reserves as RMT** The description in the CP sounds as if a new general account has to be created for PEPP products. This goes against the general collective idea of insurance products. It is also not beneficial for customers as creating a new general account in a low interest environment will result in low return. It also goes against the idea of creating economy of scale effects.	
242.	Allianz Lebens-versicherungs-AG Germany	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We welcome the introduction of digital propositions for the PEPP particularly for information provision. However, we believe that the current automated advice world is not yet ready to replace traditional advice. Giving sound, individual advice regarding a personal retirement goal requires in depth analysis of individual situations. For younger savers, a simpler approach even within a automated advice environment could be sufficient and providing the required insights. As soon as the individual situation is more complicated and requires taking into account e.g. the existing 1st and 2nd pillar benefits an individual can expect (plus e.g. other forms of potential retirement income such as rent from real estate, stock etc) the current automated advice is at its limits and a thorough analysis is required as those other sources of income can greatly affect e.g. savings rates (required) and asset allocation.	Agreed.
243.	German Association of Insured - BdV	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	Yes, we agree with the general design and structure of the mock-ups of PEPP KID and BS, but we would like to add some detailed proposals. We again stress the necessity that for the reasons of comparability and understandibility for the consumers the differences between the KIDs for PEPP and for PRIIPs must be minimized as strongly as possible. **Key Information Document:** generally we prefere illustrative example A (to B). This is mainly due to the fact that – in the section “risk and return” - the presentation of the risk indicator and of the performance scenarios in illustrative example A are more “sober”. A graph like in example B is not necessary. Paragraph “Guarantee/Risk Mitigation Technique”: the alternative should be Guarantee / other RMT. If a guarantee is given, it should be outlined which one it is and under which conditions it applies (for ex. only at maturity). Guarantees are not limited to insurers, there are investment funds with guaranteed payout-options as well. If any other RMT is offered, it should be outlined by one short sentence which one it is.	Agreed, the requirements have been further developed and specified.

No	Name	Reference	Comment	Processing
			In the section “Risk and return” we fully support the inclusion of past performance figures based on average returns and benchmark returns. But as PEPP is a long-term product only three periods (1 year, 5 and 10 years) may be sufficient. In the section “What are the costs” we fully approve that absolute figures are outlined and that the reference parameter of all cost categories is the accumulated capital (sum of contributions by the customer and of assumed return). But it should be completed by a table showing the accumulated costs over time (half time and at maturity like in the PRIIPs KID). This should be disclosed by absolute and percentage figures. In contrast to the current PRIIPs regulation the percentage must not be calculated following to the method of “Reduction in Yield”, but following to the newly proposed “Reduction in Wealth”. In our contributions to EIOPA’s Stakeholder Groups as well as to EIOPA Expert Panel on PEPP we have clearly supported the replacement of the “Reduction in Yield” by the “Reduction in Wealth” as summary cost indicator (cf. pages 21 and 42 of CP). If a biometric risk is included (death, disability), this should clearly be outlined (already in the section “What is the product?”) and the costs for this risk should be disclosed (as part of the ongoing premiums). In case of an annuity as payout-option (risk coverage of longevity) the assumed life expectancy should be disclosed. No matter if printed version or web-based online version, the KID must be exactly identical as mandatory pre-contractual information document for all customers. We fully agree with EIOPA’s proposal on the conditions “on good time”, when the KID has to be provided by the intermediary. Though no limitation of pages for the KID is required, we urge EIOA to fix a limit (max. 6 pages). A limit of only 3 pages like for the PRIIPs KID is actually not enough. But if KIDs are too long, they will not be read and cannot achieve their objective as a pre-contractual information. This was often the case in Germany with regard to “product information sheets” of life insurances from 2008 to 2018. **Pension Benefit Statement:** In section “How much money do you already have in your PEPP”, the narrative to describe the conversion rate of a unit should fully disclose, if a guarantee is given, under which conditions this will be done (at the conclusion of contract or only at the beginning of pay-out phase and if there are any additional costs). In the section “PEPP at a glance” we fully support the inclusion of past performance figures based on average returns and benchmark returns. But as PEPP is a long-term product only three periods (1 year, 5 and 10 years) may be sufficient. Section: What can you do to plan better for retirement?	

No	Name	Reference	Comment	Processing
			The main task of the PBS is to inform about the status quo of my savings. Secondly it shall inform about the most probable out-comings. Any deeper reasoning on the possible pension gap should be the prevailing part of independent advice. Instead of hints to EU institutions which are not appropriate for individual advice, it is strongly preferable to indicate institutions on the national level which may provide independent advice on retirement provision (state / public service for pensions, consumer organisations etc.).	
244.	German Association of Insured - BdV	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	We agree with a holistic approach to risk/reward, performance and risk mitigation for the PEPP. A holistic approach to risk, reward and performance could be achieved with the use of a forward-looking stochastic economic model (see also comment on Q 4). In this regard we welcome the recommendation that stochastic modelling should be based on a set of standardised inputs, taking into account the remaining duration, as well as return assumptions of assets classes, standards deviations and correlations. As a general remark we support the use of realistic and updated estimates for investment returns in the projections. That is why we support having information in the KID on the value of the lump sum/monthly payments that the saver can expect to obtain under a best, favourable and unfavourable scenario, as shown in illustrative examples A and B: • The value of the lump sum/monthly payments that a saver can expect under the best estimate scenario should correspond to the mean value of assets generated by stochastic simulations. • The value of the lump sum/monthly payments that a saver can expect under the favourable and unfavourable scenario should be calculated using one standard deviation of the mean of the probability distribution. • The solution being investigated on the minimum guaranteed scenario should also be included together with the three scenarios.	Agreed.
245.	German Association of Insured - BdV	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	We stress that it is of utmost importance to inform the consumer of the expected level of capital at retirement, after deduction of fees and inflation, compared to the total contributions paid to the PEPP, including to ensure that the purchasing power is explained to the consumer. Therefore we agree with EIOPA's assessment that the dispersion of future PEPP benefits would need to be assessed based on stochastic modelling, based on a set of standardised inputs, taking into account the remaining time until retirement, the risk aversion of the group of PEPP savers, as well as standardised return assumptions of asset classes, standard deviations and correlations – in order to achieve comparability between different PEPPs and different PEPP investment options. We support the use of the long-term risk-free rate (UFR) as appropriate (cf. page 17 of CP).	Agreed.

No	Name	Reference	Comment	Processing
246.	German Association of Insured - BdV	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	We agree that EIOPA should set out the key assumptions and inputs used for necessary stochastic modelling. Competition between PEPPs requires the highest degree of comparability and objectivity for consumers to clearly assess the differences between products on offer. A stochastic economic model assessing the risk mitigating effect of different investment techniques by measuring the probability of meeting the objective set by the PEPP regulation, of showing the risk of losing or gaining certain amounts, would be suited to consistently measuring PEPP risks. For the applicable basic return assumptions we fully agree with EIOPA's proposal of the "annual rate of nominal investment returns", based on the long-term risk-free rate (UFR) plus the average long-term risk premia per different asset classes (cf. page 17 of CP).	Agreed, the requirements have been further specified.
247.	German Association of Insured - BdV	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	We fully agree with EIOPA's proposals as elucidated in Chapter 3 of the CP (pages 24 - 27), especially with regard to the areas covered, the reporting standardization, the quantitative reporting and the supervisory convergence.	Agreed.
248.	German Association of Insured - BdV	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	Yes, we fully agree. Consumer confidence for the PEPP is a decisive issue for the future success of PEPP. Article 45, paragraph 2, of the PEPP regulation clearly and explicitly specifies that "the costs and fees for the Basic PEPP shall not exceed 1 % of the accumulated capital per year." It must be assured that 1% means 1%! Therefore the "all inclusive" cost approach is realistic. This has been proved by the PRIIPs regulation EU 2017 / 653, Annex VI: Methodology for the calculation of costs - List of costs for investment funds, PRIPs other than investment funds and insurance-based investment products. The product providers and EIOPA / NCAs have already concrete and practical experience with cost calculation and cost disclosure based on the PRIIPs Regulation. These cost structures may efficiently be used for PEPP as well - with the exception of additional costs for any national "compartments". Any new cost structures, calculations and disclosure rules will be more costly than the consistent application of the already existing one, because – again - PEPP is not a completely new pension product category, but it is fundamentally based on already existing long-term PRIIPs and IBIPs. With regard to costs of guarantees we stress that we consider them being part of the general capital investment or administration costs. That is why we advocate, if no guarantees are given, the cap of costs should even be lowered. If this is not possible, and - following to EIOPA - guarantees will be considered as a supplementary feature of a Basic PEPP besides the fundamental risk mitigation techniques, only under this condition they might be	Partially agreed, please see the response to comment number 11.

No	Name	Reference	Comment	Processing
			excluded from the cost cap. But in order to achieve a level-playing field among all product providers, not only guarantees given by insurers, but as well those by investment companies should be included in the definition of guarantee costs (i.e. with regard to so-called "guarantee funds" which promise capital guarantees not only at maturity, but often a certain time interval). Additionally it should be considered that if a product provider offers a Basic PEPP with guarantees he should be obliged to offer the same product without guarantees in order to reduce costs. Another very important issue of possible exemptions are costs of "advice". We urge EIOPA to clearly distinguish between distribution/sale and independent advice. We stress that the new PEPP Regulation should strongly be used as a crucial opportunity to strengthen the fee-based independent advice in contrast to the traditional commission-based product sale. Therefore any kind of costs linked with distribution and sale must not be excluded from the cost cap (cf. EIOPA's proposal of article xa (1), page 29 of CP). This implies that one-off and ongoing distribution costs linked to tied agents and robo-advisors ought not to be excluded. Only actually 'independent advice' given by any fee-based advisors or brokers might in contrast be exempted (following to article 24 (7) of MIFID II Regulation / EU 2014/65). In the long run there should be established the obligation for the product providers to offer additionally a Basic PEPP with tariffs net of distribution costs (any advice only to be directly paid by the costumer to the advisor).	
249.	German Association of Insured - BdV	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	In order to achieve as well a level playing field amongst all types of risks mitigation techniques (RMT) as stable and adequate future retirement income for the PEPP savers, we welcome EIOPA's proposal to set out the additional minimum criteria for three risk mitigation techniques (chapter 5 of CP). Therefore we support the approach proposed by EIOPA, whereby the PEPP providers who do not offer a capital guarantee, should ensure that the saver would recoup the capital at the start of the decumulation phase with a certain probability. The calculation of this probability should be based on the use of Monte Carlo simulations, together with threshold conditioning eligibility, to simulate a distribution of investment returns in nominal and possibly real terms. Additionally, as PEPP ought be a PENSION product and not only an investment product, we advocate the strong linking of accumulation to decumulation phase for all RMTs (cf. our comment on Q9). **Minimum return guarantees:** we fully agree with EIOPA's proposal of *article xd* (cf. page 34 of CP). Due the ongoing low interest rate phase, any capital return guarantees given for the contribution phase are very costly for insurers as well as for customers. That is why - with regard to the Basic PEPP - we propose that these new	Agreed.

No	Name	Reference	Comment	Processing
			offers of “layered” guarantees which promise to accumulate at maturity 80% of the total sum of the contributions made by the customer might be accepted as a guarantee following to article 45 (1) of PEPP regulation. This kind of "softened" minimum return guarantee allows for higher returns especially under the conditions of "low for long" interest rate phase. This has been shown by a recent study of the University of Hohenheim (DE) on the impact of the possible new regulation of commission-based insurance distribution in Germany (interlinkage of amount of guarantee and of potential returns - Kapitel 5.2: Zusammenhang zwischen Garantiehöhe und Renditepotenzial; in: Regulierung von Provisionen. Ziele, Risiken und Nebenwirkungen provisionsbegrenzender Regulierung in der Lebensversicherung in Deutschland; Autoren: Jochen Ruß, Jörg Schiller und Andreas Seyboth; Universität Hohenheim, Juli 2018).	
250.	German Association of Insured - BdV	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	**Policy Issue 1: Providing relevant information on PEPP to consumers.** We strongly advocate *policy option 1.2* (cf. our comment on Q 1 with regard to KID). The only reference parameter which is immediately understandable for the customers is the total amount of contributions or premiums paid by the customer. This has been shown by empirical researches by Professor Andreas Oehler (University of Bamberg) / DE) and Professor Ralf Korn (University of Kaiserslautern / DE), who both had outlined their conclusions and documents during EIOPA’s Round Table on PRIIPs KID Review in December 2019 in Frankfurt. A customer should know, what the expected outcome is at the end of the savings period, based on a given contribution/premium flow and on an assumed return on assets. This return on assets should be the return before any costs are deducted, and the expected outcome is clarified after all costs are deducted. Then the customer has two absolute figures which he is able to compare, and the difference between the two figures may additionally be elucidated by a percentage. This is the basic concept of the proposed “Reduction in Wealth” which may be used not only for the contribution phase but as well for the payout phase. That is the fundamental reason why we propose to replace the currently used “Reduction in Yield” by the new summary cost indicator “Reduction in Wealth” (cf. pages 21 and 42 of CP). More theoretical and empirical evidence for the “Reduction in Wealth” method as a summary cost indicator will be put forward by EIOPA’s Expert Panel on PEPP, established in July 2019. **Policy Issue 2: Implementing the cost cap.** We strongly advocate *policy option 2.1* (cf. our comment on Q 6 above). If guarantees are considered by EIOPA as a supplementary feature of the Basic PEPP besides the mandantory risk mitigation techniques, they might be excluded from the cost cap. But in order to guarantee a level-playing field among all product providers, not only guarantees given by insurers, but as well by investment companies	Agreed. Partially agreed, see response to comment number 11.

No	Name	Reference	Comment	Processing
			should be included in the definition of guarantee costs (i.e. with regard to so-called “guarantee funds” which promise capital guarantees not only at maturity, but often a certain time interval). Only additional costs for really “independent advice” given by any fee-based advisors or brokers might be exempted from the cost cap. Such a regulation would be aligned with the PRIIPs KID and IDD. The financial industry should take this unique opportunity of PEPP for strongly improving the quality of advice given by robo-advisors and therefore reduce distribution costs – anyway uttermostly necessary under the conditions of the “low for long” interest rate period. That is why for the definition of those cost categories which should be included in the cost cap, EIOPA should rely on the definition of entry, ongoing and exit costs already fixed by the PRIIPs regulation of 2017 (in its annexes for the calculation methods). PEPP shall be a private pension product, and therefore it seems to be obvious that especially for insurers it will not be a completely new product category. Already now there are a lot of long-term insurance-based investment products and annuities which will easily be transformed into a PEPP. Therefore the cost level, the nature of the services offered, the methodology used to calculate the cost are already widely known by the product providers. **Policy Issue 3: Risk Mitigation Techniques.** We strongly advocate *policy option 3.3*, because – as EIOPA has already clearly outlined – “risk-mitigation techniques should limit the extent of the dispersion whilst providing for adequate pension outcomes. Therewith, they should also be in the focus of product supervision and of the provider’s product governance system… This option is expected to bring together the benefits of transparency and enforceability with leaving sufficient room for innovation and smart risk-mitigation techniques.” (cf. pages 54/55 of CP).	Agreed.
251.	German Association of Insured - BdV	Q9. Do you have any other general comments to the proposed approaches?	As PEPP ought be a PENSION product and not only an investment product, we advocate the strong linking of accumulation to decumulation phase (cf. page 30 of CP). One of the major issues for PEPP to become a true success story is not only the real return at the end of the accumulation phase, but focus must be laid on the actual amounts of the pay-outs during the decumulation phase as well. The example of the Riester Pension plans in Germany shows that despite a strong and severe regulation of the accumulation phase (with high state allocations and tax incentives), this type of private pension plans is in stagnation for years now. This is mainly due to low pay-outs during the decumulation phase. PEPP must not repeat this mistake! Therefore we stress that the Level 2 regulation of PEPP should include these two provisions with regard to the decumulation phase: • If an annuity is offered for the decumulation phase, it must be assured that the mortality tables used for the calculation of the longevity are realistic.	Noted.

No	Name	Reference	Comment	Processing
			• Any benefits resulting from a necessary "prudent" calculation of mortality should be shared with current beneficiaries as well (and not only with future beneficiaries). We repeat: for the Basic PEPP there must be an "all-inclusive" cap of costs of 1% for the decumulation phase in the way as for the accumulation phase. Otherwise despite of good returns at the end of the accumulation phase, the total capital actually used for pay-outs and annuities might in advance be diminished too strongly. Additionally we underline that the actual and estimated amounts of pay-outs (annuities, lump sums, drawn downs, etc.) should be prominent part of the content of the *PEPP Supervisory Reports* (included in chapter on Performance; cf. Annex III of CP, page 58).	
252.	German Association of Insured - BdV	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We underline the potential of digital distribution for an improved presentation of information to the PEPP savers. This can be achieved through a layering approach and drawing attention to key warnings, as well as by using visual icons, pop-ups, drop-down menus and tick-the-box approaches. It is also important to consider that, for young people in particular, mobile devices may increasingly be used to access this information and it should therefore be suitable for use in this case. We also advocate that the use of online or digital comparison tools should be more explored. There is a need for comparison tools which focus on more than just the prices of product offers, not be subject to promoted content and ensuring that any data collected or shared is in line with the General Data Protection Regulation requirements. We strongly stress that digital distribution and robo-advisors are crucial tools for the effective reduction of costs, strongly important in the context of the 1% fee cap of the Basic PEPP. Better Finance has recently published its 2019 edition of the Robo-advisory business, which includes the following recommendation: "The algorithms of Robo-advisors need to be developed on criteria that comply with the legislation (MiFID II) with regards to the investment advice process, in order to ensure a harmonised, minimum level of quality." Therefore we strongly advocate that the financial industry should should make use of Better Finance's recommendations as a crucial indicator to significantly improve the quality of robo-advisors in order to be appropriate for a pure online model of contract conclusion, including pre-contractual information and personalized recommendation. There are already many examples of product providers which clearly aim at selling new life insurance and pension products predominantly via online distribution channels (for ex. in Germany the Allianz FourMore pension product).	Agreed.

No	Name	Reference	Comment	Processing
253.	German Association of Insured - BdV	EIOPA's Product Intervention Powers, chapter 6, pages 35 to 39 of CP.	We fully agree with EIOPA's assessment that effective market monitoring will be a pre-requisite for enforcing EIOPA's product intervention powers. Reliable procedures of market monitoring as well as product monitoring are crucial obligations for the product providers following to the Product Oversight and Governance requirements (POG) stipulated in article 25 of PEPP Regulation. That is why we fully support EIOPA's proposal and enumeration of the factors and criteria for any possible intervention related to the product, to the saver, to the provider and distributor and to the size of potential detriment and wider impact on the market (chapter 6 of CP). We particularly would like to encourage EIOPA and the NCAS to strongly take into consideration the linking of accumulation to decumulation phase (cf. our comment on Q 9). As PEPP ought be a PENSION product and not only an investment product, consumer detriment is not only possible during the accumulation, but as well in the decumulation phase (unrealistic calculation of longevity, non-transparent and insufficient participation at risk benefits). That is why the ongoing decumulation phase must be part of POG monitoring by the product providers and possible production interventions by the EU / National Competent Authorities.	Agreed.
254.	German Association of Actuaries (DAV)	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	The two mock-up PEPP KIDs do not always represent a direct implementation of the ideas discussed in the CP. We find it difficult to recognize the ideas of risk measurement and performance described in the CP in the KIDs. Both examples rely heavily on performance presentations both past and future. The holistic approach on risk mentioned in the CP does not appear to be implemented here. In addition, the consideration of inflation and trend in future wages is not mentioned in the KIDs. The presentation of the performance scenarios works with age ranges. As the KID assumes a monthly contribution of 100 € per month a ten year range means a difference of 12,000 € of contributions. From the figures presented it is not clear whether the product has a positive yield or not as it remains unclear which sum of premiums has been used for the respective calculations. We do not see why past performance is listed in the risk & return section. It does not indicate the risk of the contract as past performance cannot reflect workings of any of the RMTs. Furthermore, it is well known that past performance is not indicative of future performance. The costs presentation is also different from the discussion in the CP. The RIW indicator discussed in the CP cannot be found in the KID mock-ups. It would have been interesting to compare and contrast different indicators like RIY and RIW. The absolute Euro figures given are difficult to interpret for contracts with regular premiums. The Euro values given are only true for one specific point in time. They do not represent an average but just an example for one specific accumulated amount that does not become sufficiently clear. The 95 € given do not scale well. We consider the percentage value given to be clearer and much more precise.	Partially agreed, the requirements have been further developed and specified.

No	Name	Reference	Comment	Processing
			However, it has to be taken into account that costs come with different reference values. The percentage values given should be an annualized average. Otherwise, they will be misleading for costs factors that are a part of the premium or a fixed amount. Any Euro values given should also represent an average rather than a value that is only valid for a specific accumulated capital. From the mock-up of benefit statement it is not always clear what the methodology is used for the disclosures. It is of the utmost importance that the figures given in the KID and the BS are consistent to each other. This is certainly a major challenge as the KID is generic whereas the BS has to be contract specific. From the mock-up and the CP both, we do not see how this is being addressed. If past performance is given in the BS, it should be contract specific. That means that it should be only given for time periods for which contract actually existed, e.g. the last year and since the contract was taken out.	
255.	German Association of Actuaries (DAV)	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	We appreciate a holistic approach and EIOPA's objective to take the long-term investment horizon of pension products into account when e.g. assessing the risk indicator. Although the generic idea of identifying risk as a "deviation from the retirement goal" is appealing, a concise definition thereof in our view seems very hard and to our understanding, it is not clearly stated in the current proposal issued by EIOPA. Several "ideal targets" of a PEPP's investment performance are proposed, such as (cf. p. 13) • Inflation-protected accumulated savings • Reaching at least the long-term risk-free rate • Limiting the dispersion of the future PEPP benefits From an individual point of view, each of these targets might be appreciated by the customer, however we want to stress that some of the targets contradict each other and hence in our view cannot be fulfilled simultaneously. If one e.g. assumes that "inflation protection" can be achieved under certain circumstances by an investment in "real assets" such as e.g. equity, property or infrastructure, as a natural consequence an increased dispersion of the future PEPP benefits will likely be observed due to the very nature of the mentioned asset classes' market risk. Further, if reaching at least the long-term risk-free rate is the objective – that is in our understanding a higher return than the risk-free rate is generally targeted – some market risk has to be borne by the customer and hence benefits will fluctuate. Nevertheless, the customer should be well informed on the riskiness of different PEPPs to choose from. However, we severely doubt that the currently stated approach of measuring risk as "standard deviation from	Partially agreed, the requirements have been further developed and specified.

No	Name	Reference	Comment	Processing
			the mean" (cf. p. 14) delivers an appropriate assessment of risk, especially taking the context of retirement planning into account. In our view, the intuition of risk in this context should be more focussed on the product's downside risk by e.g. assessing potential pension benefits that might be expected in a future state of the world where the PEPP's performance is rather poor. Hence, we think that it is important for the client to be able to assess the product's downside risk and the risk indicator should therefore not be mistaken with "high upside potential" as it is the case with the current proposal, cf. following example: • Compare e.g. product A with a fixed payment of 100 with product B with a guaranteed payment of 100 and some additional upside potential. • The standard deviation of product A equals zero whereas the standard deviation of product B is positive. • Hence, applying the standard deviation as a risk measure, product B would be deemed more risky than product A which in our view is not the case, since product B delivers higher benefits than product A in any future state of the world. Therefore, a risk measure focussed on the downside risk, e.g. Value at Risk or Expected Shortfall should be applied instead in our view. Further, we acknowledge that given the current environment of low interest rates, an investment more geared towards assets that exhibit higher expected returns than the current risk-free rates may seem worthwhile for (certain) customers. However, then some market risk – which could eventually materialize – has to be borne by the customer and hence, this risk should be made transparent to the customer, e.g. by an adapted risk measure based on an assessment of the product's downside risk. The German Association of Actuaries (DAV) generally appreciates EIOPA's proposal to assess the performance scenarios based on a stochastic modelling approach and a set of standardised inputs (cf. page 13). We understand that by doing so, EIOPA proposes the application of a forward-looking stochastic modelling approach to assess future performance scenarios as well as the pension benefit projections. However, we have not been able to extract the actual stochastic model or the underlying assumptions from the consultation paper. Therefore, in the current state of the consultation paper it is very unclear which methodology and assumptions shall actually be implemented and therefore it is hard to comment on them. We think that some	

No	Name	Reference	Comment	Processing
			of the approaches mentioned – although they seem appealing at first glance – may pose severe technical and comprehensibility issues: • Setting up the model assuming a long-term risk free rate equipped with additional asset specific risk premiums sounds promising. However, we doubt the ultimate forward rate (UFR) to provide for an appropriate approximation for the long-term risk-free rate. To our understanding, the UFR is primarily a tool to construct the risk-free interest rate curve within a Solvency II valuation exercise (and hence only enters this interest rate curve as a parameter that never will be reached). Nevertheless, a (forward-looking) stochastic model based on any (appropriate) approximation of the risk-free rate equipped with additional risk premiums can deliver a sound assessment of the considered products' risk-return profiles if these models are meaningfully calibrated. • We further want to stress that incorporating the annual rate of inflation and thereby deriving "inflation adjusted returns / benefits" is not only technically challenging (then also inflation-adjusted contributions would have to be taken into account), but also this information may overwhelm and potentially confuse customers. Especially, taking the disclosure of non-PEPP products into account that are typically provided on a nominal basis only. Hence, we propose to refrain from any inflation-adjusted disclosure of performance scenarios or benefit projections, but propose highlighting that the purchasing power of future benefits might be lower than today due to inflation by means of a narrative statement. Further, the (non-)assessment of inflation should be applied similarly to all of the considered risk mitigation techniques in order to ensure a level playing field. An assessment of inflation risk for guarantee products only should in our view therefore be avoided. Similarly, although incorporating some trend in future wages seems appealing, an appropriate modelling thereof can be very hard already on country / population level. If in addition as proposed by EIOPA some further individualized assessment shall be taken into account, this assessment can due to its complexity (considering different educational status, different professions, different ages, etc.) at the end of the day confuse customers more than actually helping them. Therefore, we propose to refrain from an additional incorporation of trends in future wages. To our point of view, it is not appropriate to consider the trend of future wages on the product level. We think that this assessment can only be provided in a meaningful manner by an intermediary advising on the PEPP and thereby taking the personal situation of the customer into account.	

No	Name	Reference	Comment	Processing
256.	German Association of Actuaries (DAV)	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	We appreciate a holistic approach and EIOPA's objective to take the long-term investment horizon of pension products into account when e.g. assessing the risk indicator. Although the generic idea of identifying risk as a "deviation from the retirement goal" is appealing, a concise definition thereof in our view seems very hard and to our understanding, it is not clearly stated in the current proposal issued by EIOPA. Several "ideal targets" of a PEPP's investment performance are proposed, such as (cf. p. 13) • Inflation-protected accumulated savings • Reaching at least the long-term risk-free rate • Limiting the dispersion of the future PEPP benefits From an individual point of view, each of these targets might be appreciated by the customer, however we want to stress that some of the targets contradict each other and hence in our view cannot be fulfilled simultaneously. If one e.g. assumes that "inflation protection" can be achieved under certain circumstances by an investment in "real assets" such as e.g. equity, property or infrastructure, as a natural consequence an increased dispersion of the future PEPP benefits will likely be observed due to the very nature of the mentioned asset classes' market risk. Further, if reaching at least the long-term risk-free rate is the objective – that is in our understanding a higher return than the risk-free rate is generally targeted – some market risk has to be borne by the customer and hence benefits will fluctuate. Nevertheless, the customer should be well informed on the riskiness of different PEPPs to choose from. However, we severely doubt that the currently stated approach of measuring risk as "standard deviation from the mean" (cf. p. 14) delivers an appropriate assessment of risk, especially taking the context of retirement planning into account. In our view, the intuition of risk in this context should be more focussed on the product's downside risk by e.g. assessing potential pension benefits that might be expected in a future state of the world where the PEPP's performance is rather poor. Hence, we think that it is important for the client to be able to assess the product's downside risk and the risk indicator should therefore not be mistaken with "high upside potential" as it is the case with the current proposal, cf. following example: • Compare e.g. product A with a fixed payment of 100 with product B with a guaranteed payment of 100 and some additional upside potential.	Partially agreed, please see response to comment number 245.

No	Name	Reference	Comment	Processing
			• The standard deviation of product A equals zero whereas the standard deviation of product B is positive. • Hence, applying the standard deviation as a risk measure, product B would be deemed more risky than product A which in our view is not the case, since product B delivers higher benefits than product A in any future state of the world. Therefore, a risk measure focussed on the downside risk, e.g. Value at Risk or Expected Shortfall should in our view be applied instead. Further, we acknowledge that given the current environment of low interest rates, an investment more geared towards assets that exhibit higher expected returns than the current risk-free rates may seem worthwhile for (certain) customers. However, then some market risk – which could eventually materialize – has to be borne by the customer and hence, this risk should be made transparent to the customer, e.g. by an adapted risk measure based on an assessment of the product's downside risk. The German Association of Actuaries (DAV) generally appreciates EIOPA's proposal to assess the performance scenarios based on a stochastic modelling approach and a set of standardised inputs (cf. page 13). We understand that by doing so, EIOPA proposes the application of a forward-looking stochastic modelling approach to assess future performance scenarios as well as the pension benefit projections. However, we have not been able to extract the actual stochastic model or the underlying assumptions from the consultation paper. Therefore, in the current state of the consultation paper it is very unclear which methodology and assumptions shall actually be implemented and therefore it is hard to comment on them. We think that some of the approaches mentioned – although they seem appealing at first glance – may pose severe technical and comprehensibility issues: • Setting up the model assuming a long-term risk free rate equipped with additional asset specific risk premiums sounds promising. However, we doubt the ultimate forward rate (UFR) to provide for an appropriate approximation for the long-term risk-free rate. To our understanding, the UFR is primarily a tool to construct the risk-free interest rate curve within a Solvency II valuation exercise (and hence only enters this interest rate curve as a parameter that never will be reached). Nevertheless, a (forward-looking) stochastic model based on any (appropriate) approximation of the risk-free rate equipped with additional risk premiums can deliver a sound assessment of the considered products' risk-return profiles if these models are meaningfully calibrated.	

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			• We further want to stress that incorporating the annual rate of inflation and thereby deriving “inflation adjusted returns / benefits” is not only technically challenging (then also inflation-adjusted contributions would have to be taken into account), but also this information may overwhelm and potentially confuse customers. Especially, taking the disclosure of non-PEPP products into account that are typically provided on a nominal basis only. Hence, we propose to refrain from any inflation-adjusted disclosure of performance scenarios or benefit projections, but propose highlighting that the purchasing power of future benefits might be lower than today due to inflation by means of a narrative statement. Further, the (non-)assessment of inflation should be applied similarly to all of the considered risk mitigation techniques in order to ensure a level playing field. An assessment of inflation risk for guarantee products only should in our view therefore be avoided. Similarly, although incorporating some trend in future wages seems appealing, an appropriate modelling thereof can be very hard already on country / population level. If in addition as proposed by EIOPA some further individualized assessment shall be taken into account, this assessment can due to its complexity (considering different educational status, different professions, different ages, etc.) at the end of the day confuse customers more than actually helping them. Therefore, we propose to refrain from an additional incorporation of trends in future wages. To our point of view, it is not appropriate to consider the trend of future wages on the product level. We think that this assessment can only be provided in a meaningful manner by an intermediary advising on the PEPP and thereby taking the personal situation of the customer into account. The level 1 requirements on risk mitigation techniques already state three different possible investment techniques to qualify for a valid risk mitigation technique, by the “definition” of a life-cycle strategy, smoothing mechanisms or the issuance of any investment guarantees. EIOPA’s consultation paper now aims on a more concrete definition of these risk mitigation techniques considering the level 1 requirements. We generally appreciate an approach e.g. based on (forward-looking) stochastic modelling in order to asses “if the risk is actually mitigated” by the current investment strategy under examination. However, we want to stress that this assessment and especially the methodology chosen should not apply different criteria for potentially different risk mitigation techniques, e.g. an assessment of inflation risk for products with a guarantee on the one side and a non-assessment of this risk when other potential risk mitigation techniques are considered seems inconsistent in our view. We would therefore recommend that either approach taken should be applied similarly for all of the different investment techniques considered. Further, taking into account our statement on the risk indicator’s definition, a risk mitigation technique should demonstrate if it was actually able “to mitigate the risk” which in our view should	

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			– especially in the context of financial planning – be linked to the product’s downside risk and not the potential dispersion of future benefits. In addition, we want to stress that although the level 1 requirements may consider life-cycle strategies where the exposure to a risky asset is deterministically reduced over time (“deterministic glide path”) to qualify as risk mitigation technique by default, these techniques might not in general be able to actually mitigate the (downside) risk: Taking into account that 50% equity investment in times when volatilities are low (e.g. 10%) may actually exhibit a similar risk-return profile as 25% equity investment in times when market volatility is rather high (e.g. 20% p.a.) should in our view clearly yield to a requirement of a stochastic assessment of all potential risk mitigation techniques (including life-cycle strategies) applying the same methodology and not preferring one technique over the other by default. Finally, we want to highlight that the current EIOPA’s consultation paper requires setting up a new segregated fund for PEPPs when a smoothing mechanism is applied. In our view, any smoothing scheme generally performs the better the more participants the smoothing scheme actually has. New customers entering an existing smoothing scheme given the current interest rate environment may benefit from assets that have been financed by previous members of the pool and vice versa. Therefore, we think that intergenerational fairness between already existing and new members of an existing smoothing scheme can be ensured (as it is already done in many existing pooled funds throughout of Europe) without the need for setting up a new segregated fund for customers of a PEPP. Therefore, this additional requirement should not be introduced by level 2 measures in our view, since it would be detrimental for the PEPP’s performance from a customer’s point of view.	
257.	German Association of Actuaries (DAV)	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	An independent European Authority should set not only key assumptions. To our point of view, an independent European Authority should also set the key parameters and the model for the capital market.	Noted.

No	Name	Reference	Comment	Processing
258.	German Association of Actuaries (DAV)	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	No comment	

259.	German Association of Actuaries (DAV)	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	We recommend not to invent a new definition of costs. To our point of view, it is adequate to adopt the PRIIPs definition of costs as far as reasonable.
			
			• Cost cap
			  ○ The interpretation of the level 1 regarding the cost cap seems rather unfortunate. An annualized view of 1% of the average accumulated capital appears to be more appropriate. As costs naturally occur especially at the start of the accumulation period but the capital is only accrued over time there is a mismatch that the product provider has to bridge with expensive equity. This might also contravene supervisory law especially if customers change providers after five years. The supervisory principle that each policy should carry its costs would be broken.
			  ○ Furthermore, up-front costs are basically impossible without an annualized approach. Thus, costs for advice would have to be excluded from the costs cap.
			  ○ How to deal with fee based advisory?
			
			• Guarantee costs
			  ○ There is no clear definition given in the CP. It is mentioned several times with seemingly different intentions. For instance on page 31 opportunity costs of guarantees are mentioned but on page 20 market price is mentioned. While DAV supports full transparency of costs, we strongly advise against creating a new cost definition. Opportunity costs are an element of the risk / return-profile of a product. They measure potentially missed opportunities compared to another investment option. This is not a cost in the sense of fees and charges. The trade-off between risk and return need to be made transparent, but not in the costs section. Most guarantee concepts in insurance do not contain a market price. Therefore, market price is not a concept that can be used in general.
				Partially agreed, the PEPP Regulation has been followed.

No	Name	Reference	Comment	Processing
			○ We suggest to disclose explicitly charged guarantee costs and not to introduce a new concept. • Level of cost cap to be reviewed every two years ○ Review should take into account the financial requirements of the PEPP provider. Long-term plannability has to be assured. • Summary cost indicator: Reduction in Wealth ↔ Reduction in Yield ○ There is no definition of RIW given in the CP. We assume it is to be defined as in the ZEW study as that is mentioned. We come to the same conclusion as the ZEW study: The RIY is the more robust cost indicator. The criticism from consumer organisations mentioned in the CP that the RIY relies too much on assumptions is hard to relate to as RIY depends on exactly the same assumptions but even more so. We consider that the more robust indicator should be chosen. RIY has the further benefit that it is annualised and therefore easier to interpret as consumers are used to yearly or monthly measures. We do not follow the arguments claiming that RIW reflects the long-term nature of PEPP better. Usually costs are measured per annum as is also foreseen in the level one text for the cost cap. According to the arguments in the CP a product that charges 1 % of the assets under management per annum but is held for 18 years would be cheaper than a product which charges 0,9 % but is held for 20 years (at least if a positive performance is assumed). That is misleading in our eyes. Imagine using the same measure in other areas of life: Renting a flat for 20 years is more than twice as expensive as renting it for ten years – never have we heard of such a disclosure. • Presentation of costs (percentages vs. monetary figures) ○ The costs disclosures in the two example KIDs do not fully reflect the discussion in the CP. Especially the costs indicator RIW is not used there. The method used in the example KIDs of assuming an accumulated capital of 10,000 € is not very conclusive for regular premiums. The cost information given will at most be right for one specific year of the accumulation period. For all other years, it is far off. We consider an average cost impact more informative and easier to interpret. An annualized indicator like RIY seems to be best suited as it has proven robust and is already in use in several national and international regulations. • Biometrical costs ○ In Germany, private pension products contain a significant cover of biometrical risks in general. Policyholders know that this additional protection has to be paid for. As the	Partially agreed, the requirements have been further developed and specified.

No	Name	Reference	Comment	Processing
			premium share for the coverage of the biometric risk has the only task to finance the aforementioned additional coverage it has never been intended to use it for another purpose – so it cannot reduce the investment return. It finances an additional product feature that is typical for insurance products but not for pure investment products – thus it cannot be part of the overall administrative or distribution costs. Only the latter ones are relevant for a reasonable comparison of costs of PEPPs.	
260.	German Association of Actuaries (DAV)	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	Graf (2017, Life-cycle funds: Much Ado about Nothing?. The European Journal of Finance 23(11): 974–998) studies the risk-return profile of life-cycle funds in particular compared to simple balanced or lifestyle funds that apply a constant equity portion throughout the fund's term instead. They derive balanced funds that reproduce the risk-return profile – that is, the probability distribution of returns –of an arbitrary life-cycle fund for single and regular contributions. Their results challenge the very existence of life-cycle funds since appropriately calibrated balanced funds can offer a similar (often-dominating) risk-return profile. The level 1 requirements on risk mitigation techniques already state three different possible investment techniques to qualify for a valid risk mitigation technique, by the "definition" of a life-cycle strategy, smoothing mechanisms or the issuance of any investment guarantees. EIOPA's consultation paper now aims on a more concrete definition of these risk mitigation techniques taking the level 1 requirements into account. We generally appreciate an approach e.g. based on (forward-looking) stochastic modelling in order to asses "if the risk is actually mitigated" by the current investment strategy under examination. However, we want to stress that this assessment and especially the methodology chosen should not apply different criteria for potentially different risk mitigation techniques, e.g. an assessment of inflation risk for products with a guarantee on the one side and a non-assessment of this risk when other potential risk mitigation techniques are considered seems inconsistent in our view. We would therefore recommend that either approach taken should be applied similarly for all of the different investment techniques considered. Further, taking into account our statement on the risk indicator's definition, a risk mitigation technique should demonstrate if it was actually able "to mitigate the risk" which in our view should – especially in the context of financial planning – be linked to the product's downside risk and not the potential dispersion of future benefits. In addition, we want to stress that although the level 1 requirements may consider life-cycle strategies where the exposure to a risky asset is deterministically reduced over time ("deterministic glide path") to qualify as risk mitigation technique by default, these techniques might not in general be able to actually mitigate the (downside) risk. Taking into account that 50% equity investment in times when volatilities are low (e.g. 10%) may actually exhibit a similar risk-return profile as 25% equity investment in times when market volatility is	Partially agreed, the requirements allow for a consistent application for risk-mitigation techniques.

No	Name	Reference	Comment	Processing
			rather high (e.g. 20% p.a.) should in our view clearly yield to a requirement of a stochastic assessment of all potential risk mitigation techniques (including life-cycle strategies) applying the same methodology and not preferring one technique over the other by default. Finally, we want to highlight that the current EIOPA's consultation paper requires setting up a new segregated fund for PEPPs when a smoothing mechanism is applied. In our view, any smoothing scheme generally performs the better the more participants the smoothing scheme actually has. New customers entering an existing smoothing scheme given the current interest rate environment may benefit from assets that have been financed by previous members of the pool and vice versa. Therefore, we think that intergenerational fairness between already existing and new members of an existing smoothing scheme can be ensured (as it is already done in many existing pooled funds throughout of Europe) without the need for setting up a new segregated fund for customers of a PEPP. Therefore, this additional requirement should not be introduced by level 2 measures in our view, since it would be detrimental for the PEPP's performance from a customer's point of view.	
261.	German Association of Actuaries (DAV)	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	To judge the impact assessment we require a deeper understanding than that the consultation paper delivers. Taking into consideration our answer to Question 1 and Question 2 we would like to recommend to develop more precise requirements. This would facilitate the understanding of the intended methodology.	Noted.
262.	German Association of Actuaries (DAV)	Q9. Do you have any other general comments to the proposed approaches?	Past performance: As already stated in our comments to last year's PRIIP consultation: Past performance may be easily assessed for some product types, such as non-structured UCITS-funds, but it is impossible – not even defined – to assess for other product types, such as structured PRIIPs or insurance-based investment products and therefore various forms of PEPPs. Even an artificially defined past performance (e.g. derived by a historical backtesting approach) does not provide a meaningful assessment of the product's "true" risk return profile, since it relies on assumptions that are by definition outdated and may hence yield to serious misinformation. Furthermore, the past performance could be misleading with regard to new contracts and the current level of interest rates.	Partially agreed, the requirements have been further developed in this regard.

No	Name	Reference	Comment	Processing
			DAV would therefore strongly recommend to refrain from the application of any past performance in the PEPP, since it might not only mislead customers but also prefer those products that have performed very well in the immediate past, but whose returns will likely be lower in the future (e.g. compare fixed income funds which saw tremendous returns due to the decreasing interest rates in the immediate past, but whose future performance is likely to be lower). This will also set (wrong) incentives to design products in such a way that would have performed very well in the immediate past (and "only" in the immediate past).	
263.	German Association of Actuaries (DAV)	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	Digital first seems to be adequate to reach younger consumers. According to our understanding, the younger ones are part of the focus target group of PEPP. However, commenting on a digital presentation concept is not the focus of the DAV.	Agreed.
264.	Association Française de la gestion financière (AFG) - France	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	AFG agrees with EIOPA's proposal to present and adapt information documents to the specific long-term investment horizon of the PEPP. Therefore, the tailoring of the PEPP KID and PEPP Benefit Statement requires specific rules over risk and performance, costs disclosure, future and past performance. We fully support the digital approach and the need to layer the information in order to facilitate the comprehension of the PEPP documents. The information given through the PEPP KID and Pension Benefit Statement (PBS) should remain simple and only include the element required by the level 1 of the PEPP Regulation. We would recommend not overloading the futures savers with unnecessary information. We would like to point out that in the framework of the consultation, it would have been helpful to have an illustrative BASIC PEPP KID provided on the basis of a risk-mitigation technique (life-cycling). We provide the following comments on the templates of PEPP KID and Pension benefit statement: ✓ **<u>PEPP KID "Section what is this product"</u>** The section "purpose" should be revised by setting the objective at retirement of the PEPP. The section Guarantee/ Risk mitigation technique should be modified. The term "*no guarantees"/"guarantees"* is misleading. "*Risk Mitigation Technique*" as stated in the level 1 of the regulation should replace the text "*No guarantees*". The term Basic PEPP is already mentioned at the top of the KID (id. "*Product type*") and should therefore be deleted. The exact nature of the guarantees should be clearly explained whether it is a capital guarantee or a biometric risk guarantees. For biometric risk guarantees, the KID should explain the exact nature of the risk covered. The KID should provide a description of the investment strategy that will be used. ✓ **<u>PEPP KID Section "what are the risk and what could I get in return?"</u>**	Agreed, the requirements have been amended along those lines.

No	Name	Reference	Comment	Processing
			The risk indicator and the performance scenarios should be presented next to each other to facilitate the understanding of savers. Level 1 of the PEPP regulation states "*Guarantees provided under the default investment option should at least cover the contributions during the accumulation phase after deduction of all fees and charges. Guarantees could also cover the fees and charges and could provide for full or partial coverage of inflatio*n". Therefore, providers should mention the risk related to inflation and the summary risk indicator should linked to the riskiness of deviation from not recouping the capital, after inflation as long as inflation is provided by authorities over different long term period. In the PEPP KID illustrative example A, the question linked to SRI is *"How likely it is that I will reach my retirement objective".* The question lacks of consistency with the definition of the SRI in consultation paper which is *'"SRI should link the riskiness of the investment option to the relative deviation of the projected pension projection from the best estimate result".* As the consultation paper does not provide for any retirement objective we have difficulties to understand the link with the SRI *and how the best estimate result is calculated* ✓ **<u>Performance scenarios:</u>** The projection should be calculated for a given number of years before retirement. We would therefore recommend removing the reference to ranges of saver's ages and presenting instead the number of years before retiring. The chart should include a column presenting the cumulated capital invested in the PEPP. The table should not present the probability to get back the capital at retirement, as it is already the objective of a risk mitigation technique. ✓ **<u>Past performance:</u>** Level 1 of the PEPP regulation states that *"PEPP savers shall also be provided with information on the past performance of the PEPP saver's investment option covering performance of a minimum of ten years".* As the PEPP is a long-term product, we disagree to present past performance over 1 or 3 years. Only long term past performance (5 and 10 years) should be presented. Considering the proposition to present a benchmark, we would recall that PEPP regulation does not provide for any. Moreover, the use of the ultimate forward rate (3,75% for 2020) as the benchmark does not seem appropriate and as we don't understand how the 3.75% is worked a benchmark based on this proxy for long-term free rate will be misleading for the savers. ✓ **<u>What are the costs?</u>** <u>Presentation of the costs in the consultation paper:</u> Monetary disclosure of the costs is difficult to standardize in the PEPP KID. Assumptions used in the mock-ups of 10.000€ accumulated capital and 100 euros monthly contributions are not realistic in many member states due to the level of wages and saving capacity.	

No	Name	Reference	Comment	Processing
			The costs of guarantee should be clearly defined and indicated in the breakdown of costs. It is particularly important if the cost of guarantee remains excluded from the fee cap. The methodology used to calculate the cost of the guarantee should be robust, clear and equally applied in all EU countries. The cost of advice should be split from distribution costs and excluded from the fee cap (please see our answer on the cost cap at question n°6). The cost of safekeeping the assets should be integrated in the administrative costs. The wording "*Other investment costs*" should replace by "Investment management fees" Portfolio transaction costs should be excluded from the fee cap. ✓ **Reduction in wealth approach (RIW):** The methodology to calculate the cost under the RIW approach is not described in the consultation paper. Our understanding of the RIW approach is to cumulate all the costs and then to compare this to the total of accumulated capital including investment returns until the retirement date. Due to the long-term horizon of the PEPP, this approach would lead to disclose a very high level of fees (over many years) which can prevent savers from subscribing the PEPP. We would suggest showing only percentage and monetary impact of the cost over the 12 previous months. The major issue of the current presentation is to let savers believe that costs only reduce their accumulated capital without any link with the performance of their investment. Therefore, why a saver should invest in a product if the only impact is to see the capital reduced by the fees? The total of costs should be presented next to projected performance of the product at the retirement date. We also want to point out that the concept of RIY (reduction in yield) is strongly discussed by the fund industry in the PRIIPS context and that EIOPA should make sure that both regulation come up with the same rules on that matter.	
265.	Association Française de la gestion financière (AFG) - France	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	We agree with the approach to provide a specific framework for risk/rewards, future performance and risk mitigation for the PEPP due to its long-term nature. However, we would like to point out that the consultation paper does not provide for any element or hypothesis in order to analyse fully the propositions made in the consultation paper including the proposed minimum probability of capital preservation for risk mitigation technique.	Agreed, the requirements were further developed.
266.	Association Française	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes	We agree to present the risk as the deviation from the pension outcomes, but we disagree to link it with the objective of reaching at least the ultimate forward risk (UFR). The UFR (3.75%) is far higher than current and as well as future markets conditions for the risk-free rate.	Agreed, the requirements have been further developed

No	Name	Reference	Comment	Processing
	de la gestion financière (AFG) - France	and to link it to objective of reaching at least the long-term risk-free interest rate?	The consultation paper states, *"the SRI should link the riskiness of the investment option to the relative deviation of the projected pension projection from the best estimates result".* The notion of best estimates leads to the methodology of calculation of the pension projections. The consultation foresees a risk premia per asset classes to be added to the UFR for the expected performance. This brought us to the following questions what is the retirement objective of the PEPP(?) and how the methodology to calculate the pension projection is compatible with this objective? ✓ **Retirement objective:** The retirement objective is linked to the personal circumstances, such as the person's level of risk aversion, the remaining time until retirement, the level of disposable income that a saver can contribute. Level 1 of the PEPP regulation defined the objective of the risk mitigation technique in a BASIC PEPP as a "*risk-mitigation technique consistent with the objective to allow the PEPP saver to recoup the capital*". Therefore, the retirement objective should be in line with the objective of the risk-mitigation technique. As guaranteed PEPP option should provide information on the inflation coverage, we would recommend having a standard Basic PEPP objective's which is to recoup the capital in real terms, after inflation as long as inflation is provided by authorities over different long term period. ✓ **Pension benefit projections:** The methodology to calculate the pension benefit projection/ performance scenarios should be consistent with the PEPP objective. EIOPA proposal's suggests to use for basic return assumptions the ultimate forward rate (3.75%) plus the average long-term risk premia per different asset classes. First it does not seem adequate with the objective to recoup the capital set up in the level 1 of the PEPP regulation Secondly, there is no hypothesis given through the consultation paper. It is therefore very difficult to assess how the projections could end up.	to take a consistent view on risks/rewards.
267.	Association Française de la gestion financière (AFG) - France	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the	Yes, we agree on the principle that EIOPA sets the key assumptions and inputs for the stochastic modelling. To allow competition, PEPP providers should use the same key assumptions in their stochastics projections. EIOPA has communicate its assumptions as soon as possible to get comments from PEPP stakeholders before finalizing them.	Agreed.

No	Name	Reference	Comment	Processing
		key assumptions and inputs used for the necessary stochastic modelling?		
268.	Association Française de la gestion financière (AFG) - France	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	Yes we agree with this principle and it will allow a standard practice across EU on the PEPP.	Agreed.
269.	Association Française de la gestion financière (AFG) - France	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	We support a full transparency in the disclosure of all the costs of the PEPP. According to our members, the all-inclusive approach of EIOPA would prevent providers to launch PEPP offers across EU and it would therefore lead to miss the initial objectives of the PEPP. In a nutshell: • The 1% fee cap results from a political compromise but is not based on factual and economic market data; • The PEPP requires personal mandatory advice, which cannot be reach through Robo Advisor and will require face to face meetings; • Cost of advice should therefore be excluded from the fee cap (one-off and ongoing charges); • Cost of guarantee should be included in the fee cap to insure providers the same level of playing field; • Transaction costs should be excluded from the fee cap. As an example of France situation for the fee cap : According to our member's internal estimation, the inhouse cost of advice (without margin) in France can be estimated to be at least €135/€150 per hour (+ VAT), which means that the PEPP provider would be left with maximum €50-€65 to cover all other costs (manufacturing, administration, distribution and portability costs) over 5 years, i.e. less than €1 per month. Offering the PEPP under these circumstances would not be economically viable. We are aligned with EFAMA's position, our European Fund and Asset Management Association. Please refer to EFAMA's answer at question n°6.	Partially agreed, please see the response to comment 1.
270.	Association	Q7. Which criteria should be added to foster the application	We support EIOPA's position to adopt a "principle based" approach for the risk mitigation techniques.	Agreed.

No	Name	Reference	Comment	Processing
	Française de la gestion financière (AFG) - France	and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	As stated in Recital (30), PEPP providers will have to answer to the individual demands and needs of each saver not only during the accumulation phase but also during the decumulation phase. These individual demands and needs could change over the long-term horizon of the PEPP. This requires providers to offer personalization and flexibility. Imposing minimum/maximum thresholds per asset classes at different points in time will limit the needed: ✓ Flexibility to design the most appropriate individual glide path for life cycle strategies ✓ Innovation for this new product. Therefore, as initially proposed by EIOPA, life cycling investment strategy should be on a "principle-based" approach. The high degree of protection could be achieved by showing the probability of a given investment strategy recouping the capital invested at the end of the accumulation period. This would be calculated using a stochastic model to simulate a distribution of investment returns. All providers (insurers, banks and insurers) are facing a huge challenge with the long-standing zero, if not slightly negative interest rates environment. EIOPA set a minimum probability of capital preservation at 99% for the Basic PEPP and a probability of 95% "*to arrive within the range of the favourable and unfavourable performance scenarios [with a probability of 95%] and aim at outperforming the long-term risk free rate"* for alternative options. Due to the macro economic conditions, the probability to recoup the capital at a level of 99% is too high. For alternative options, the probability of 95% to arrive within the range of the favourable and unfavourable estimates is also too important. Furthermore, as no hypothesis are given within the consultation paper to calculate the probability of the stochastic model, it is difficult to assess the feasibility to recoup the capital at these levels. In addition, this level is too close to the 100% probability of the "Guaranteed Capital PEPP". In our view, with the Basic PEPPs, savers should have the opportunity to choose between a formal guarantee with lower return and an alternative option with a high probability of capital preservation targeting higher expected returns. Therefore, we consider the two proposed levels of probability of capital preservation at 99% and 95% too tight and we think they should be softened. We support the possibility with the saver's consent to extend the last phase of the life cycle. **De-risking strategy:** The objective to recoup the capital should only apply at the start of the decumulation period. It would make no sense to compel the providers to maintain a probability of recouping the capital during the accumulation phase. This would eliminate the capacity of providers to use life-cycling which give an important part to equity and other growing assets. Article *ca* on page 33 of the Consultation paper should be modify as follow : *For the Basic PEPP, when the PEPP provider does not offer a capital guarantee, the PEPP provider shall employ an investment strategy that ensures, taking into consideration the results of stochastic modelling, recouping the capital at the start of the decumulation phase* ~~*and during the accumulation phase*~~ *with a probability of*	Disagreed, this requirement stems

No	Name	Reference	Comment	Processing
			[99%], unless the remaining accumulation phase is less than ten years when taking up the PEPP and where a probability of [95%] may be used.	from the PEPP Regulation.
271.	Association Française de la gestion financière (AFG) - France	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	We believe that the impact assessment for the fee cap for the Basic PEPP should be strengthened by collecting more hard data on the costs of providing advice. We strongly believe that the analysis will lead to the conclusion that the cost of advice should be excluded from the fee cap (see our comments above). EIOPA has already proposed to adopt a non-completely all-inclusive approach by proposing to exclude the costs of guarantee. AFG believes that EIOPA should further consider the exclusion in particular of the costs of advice to allow the needed feasibility and economic viability of PEPPs and avoid the highly likely risk of very limited product availability for consumers due to here above challenges for PEPP providers.	Agreed.
272.	Association Française de la gestion financière (AFG) - France	Q9. Do you have any other general comments to the proposed approaches?	No	
273.	Association Française de la gestion financière (AFG) - France	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	See our remarks above.	
274.	FECIF	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements	The information documents (both KID and Benefit Statement) as illustrated are both clear and give a good picture of the situation for a prospect/customer. However, the devil is in the detail and it will be essential to ensure that the multi-layer approach, when printed on paper, does not create huge, unreadable documents.	Agreed, the requirements were clarified.

No	Name	Reference	Comment	Processing
		are translating well the outlined objectives?	A remaining issue, not directly linked to the KID and Benefit Statement is that the PEPP remains structured as separate national compartments, which is hard to justify or understand for customers and will be likely to prevent portability and to slow adoption of the PEPP.	
275.	FECIF	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	Yes, appreciating risk/reward in a holistic manner, keeping in mind the overall goal of the PEPP for the consumer is a much better approach than focusing exclusively on the underlying elements. We believe it is essential that the guarantees offered to the investor are made explicit: • Guarantees offered by the provider • Guarantees offered by a compensation scheme in case of provider default	Agreed.
276.	FECIF	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	Yes, same answer as for Q2 above.	
277.	FECIF	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	It is necessary indeed that the information is comparable. However, it would be much better for EIOPA to identify which inputs and assumptions are needed, but to let product providers make and justify their own assumptions, otherwise the products risk being regulation-driven to the detriment of innovation. For guarantees, see answer to Q2 above.	Agreed.
278.	FECIF	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to	From the perspective of financial advisors and intermediaries, it is important to have as wide a range of offerings as possible available to FECIF Members and their customers. From that perspective, getting a streamlined supervision of PEPP products is likely to improve comparability and make cross-border provision easier; both positive points.	Agreed.

No	Name	Reference	Comment	Processing
		carry out the duties of home and host supervisors as well as of EIOPA?		
279.	FECIF	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	Yes, FECIF has consistently insisted that product costs should be presented in an 'all inclusive' basis. FECIF believes that providing the detail of underlying fees and charges (such as presented in the KID examples) should be done in a way that is not misleading or confusing. We understand that capital guarantees as well as biometric risk are added features and need to be priced accordingly, but this might prevent some product developments and have the involuntary consequence that Basic PEPPs will not provide features that would be to the benefit of consumers.	Agreed.
280.	FECIF	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	Risk-mitigation techniques do evolve over time. They have evolved markedly over the past 40 years, and it is likely that they will be equally different in 40 years. Given the long-term perspective of PEPP saving (both investment and divestment) it is crucial that regulation does not fix the risk-mitigation techniques (which would soon be obsolete) but rather set a general framework (such as requiring an explicit output-driven approach for example, for different exit scenarios)	Agreed.
281.	FECIF	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	Product portability and the existence of different PEPP compartments for each country are an unfortunate by-product of the way PEPP regulation has been developed. It is not directly in the remit of EIOPA, but it is likely to severely limit the interest and the success of the PEPP.	Noted.
282.	FECIF	Q9. Do you have any other general comments to the proposed approaches?	Not at this time.	

No	Name	Reference	Comment	Processing
283.	FECIF	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	The Basic PEPP seems particularly well suited for digital distribution, given that the features are very constrained. However, the wider range of solutions expected to be offered by the market will require a more individualised advice and service than is likely to be available online.	Agreed.
284.	FNMF	Preliminary comment	In addition, the mutual model implies close links with the members, which suppose a dense territorial advisor network. As a consequence, the relationship between Mutuals and their members is often characterized by face to face meetings (instead of online relationship). On the French market, several factors allow Mutuals to offer their members above average returns : • Their non capitalistic structure (no shareholder to remunerate). • Historical presence allowing them to build an asset portfolio rich of unrealised capital gains • Their specialized approach which limits costs As highlighted in the consultation paper (P.13), the Pan-european Personal Pension Product (PEPP) is not a basic financial product : • it contractually engages the customer for a (very) long period of time, during which, his (her) conditions of life may significantly change as the general socio-economic environment will do (including a potential change in the residential country). • The choice he (she) makes when contractualizing reflects his (her) current analysis of his (her) situation. The type of investment option, selected with the professional advice of the provider to try to answer the need he expresses, **will have to be regularly reassessed** to adapt to his (her) situation, means and needs. Such professional support will be required whatever the investment option is (basic or not) and, in our opinion, cannot (yet) be provided on an automated basis. We can only share the EIOPA/European Commission view on the interest to develop, as much as possible, a harmonised, simple, transparent and secure offer that could be reflected through information documentation. However, the market will face (at least) two strong difficulties :	Noted. Noted.

No	Name	Reference	Comment	Processing
			• the current (financial and economic) environment is not the best one to launch such a new product. • heterogeneity among the various national markets, in terms of actual maturity, financial culture / education, legal and fiscal environment will not help to reach those objectives, complexifying the structuring and management of such a multi-national product. If we add the ("idealistic") objective to develop a future-proof system, leveraging new technological possibilities, **this will not be done without significant investments (meaning time and costs)**, which obviously question the ability/ interest for numbers of existing players to enter such a PEPP market, particularly for the smaller ones, at least in the short term. We are also concerned by the constraint put by the official agenda: Such a constraint timeline : • requires public consultation and consumer testing exercise in parallel, which does not allow us the, providers, to benefit from the consumers feedback; • excludes the two-step consumer testing approach, that we consider necessary to correctly address the need for information • puts an unnecessary burden on EIOPA to provide the European Commission with a solid, fully tested and argumented proposal (as shown hereafter there are still a number of issues to be clarified) Last but not least, throughout the consultation paper, inflation is highlighted as a key risk to take into account. On one hand, the consultation paper indicates (p. 8) that "*Regarding the specifications of the underlying assumptions for the projections, reference should be made, where relevant, to the consistent calculation of nominal investment returns,* ***the annual rate of inflation*** *and the trend of future wages, in collaboration with the ECB and Eurostat*". On the other hand, it is underlined that "*There is a clear dispersion of inflation rates within the Member States of the European Union. The divergence of inflation rates occurs not only across countries with different currencies and independent monetary policies, but also within the monetary union […] Given the complexity and the impracticability of addressing all macroeconomic factors behind these divergences, the determination of the applicable annual rate of inflation for the PEPP is not straightforward". On that matter, the PEPP regulation (on default investment option) just stipulates that inflation indexation could be included.If we assume that reference needs to be made to the risk of inflation, w****e do share the view that inflation introduces complexity in the required projection exercises, either to generate assumptions for projections or benchmark. Such complexity cannot be assumed by providers****.*	

No	Name	Reference	Comment	Processing
285.	FNMF	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	We welcome the mock-up approach (and the three provided templates) which should contribute to the development of ~~a~~ “user-friendly” information on a complex financial product. In our view, it would be useful to make a better distinction between the Basic PEPP and others PEPP formulas: Previous experience (on PRIIPs notably) shows that information overload and burden is an issue for consumers, in the selection process to meet their needs. If all alternative investment options need to contain the necessary information, based on quality rather than quantity, the Basic PEPP should definitely be simpler. We do not see any evidence on that matter in the current consultation paper (nor in the proposed mock-ups), notably in the way the layering should be defined. **Page 9** **The consultation paper highlights on one hand the fact that “*the volume of information to be contained in the PEPP KID is extensive, and so all tools that can be used to aid the consumer in navigating the document and extracting key information should be used*”. On the other hand, it stipulates the necessity for “*a standardised information document*” with RTS specifying the required details of the presentation. We do share this view but we do not find in the consultation paper nor in the mock-ups enough clarification, particularly regarding the layering, the sub accounts and the use of new disclosure format (audio, video)** **Page 13** **We first question the following assertion “The main risk of a pension product is the risk of not reaching the individual’s retirement objective[…]”. We consider that two different risks are mixed there:** • **the risk that the pension product does not reach the objective it has been structured for (which can result from misengineering or adverse market conditions)** • **the risk that the pension product does not answer the saver objective (which can result from a poor advice)** **Regarding the identification of the building blocks, we believe that the provided information is not sufficient and clear enough.** In relation to the comment made above (for page 13), we do not think that “*The methodology to quantify the risks, rewards and performance of PEPP follow from* ***the retirement income objective***”. Each PER product is designed with characteristics to reach specific fianacial objectives (in link with the risk aoppetite) that mus be clearly apparent and understandable for the saver. The quality of the advice provided by the professional advisor should complete this information to make sure that the PEPP product objective fits the saver’s. **Page 14**	Partially agreed, the requirements have been further developed and clarified.

			The UFR is a combination of a risk-free rate and an expected inflation rate. As indicated above regarding inflation, we think that there is a lot of uncertainty on those 2 components especially in the persistent low-interest-rate context and the expected inflation could be quite different from a country to another. Furthermore, the UFR is calibrated in a solvency calculation perspective so it might not be suitable in the PEPP context. Therefore, we do not share the suggestion to use the "*measure of the standard deviation from the mean (best estimate) expected outcome per decumulation option available (PEPP KID) or decumulation option chosen (PEPP Benefit Statement) together with the probability of reaching returns in line with the ultimate forward rate"* **Page 15** We agree on the interest to present past performances. But we also believe that there is no need " *to present average returns over ten, five, three and one years*". It would first imply that such information exists (this will not be the case for new products). We therefore suggest limiting this information to two references: • The one year return • The maximum between 10 years and the existing life experience of the contract. We would also appreciate clarification on "relevant" benchmarks, given that we do not agree on the UFR reference. **Page 16** regarding the summary risk indicator, EIOPA puts forward two options: « *risk classes and/or simple textual presentation* » or a matrix approach. We believe that the first option should be the preffered option given that it would be easier for consumers to understand than the matrix approach, which is too complex and potentially confusing for consumers. The consultation paper underlines the fact that "*Consumer testing will be important in drawing out which forms of presenting the summary risk indicator work best*". We do agree on that analysis but are questioning the presentation made in the various mock-ups on that matter: • Illustration is limited to 2 different scales and	

			• Narratives explanations do not provide, in our opinion, a clear view on the type of risk assumed and on the way the level of risk has been defined/analysed. More specifically, the PEPP regulation stipulates that "(recital 39) *The default investment option should allow the PEPP saver to recoup the invested capital".* We would appreciate, in the case of this basic option, to know whether this objective results in a standard "risk class", meaning that the risk indicator level would be unique. **Page 17** For the applicable basic return assumptions, referred to as "annual rate of nominal investment returns" it is suggested to use the long-term riskfree rate (ultimate forward rate) plus average long-term risk premia per different asset classes. As explained previously, we do not share this suggestion Regarding inflation, we restate our preliminary comment, **Page 19/20 Cost disclosure** "*Full transparency on costs and fees related to the investment in a PEPP*" is required by the PEPP regulation not forgetting that "(recital 55) […] *A level-playing field between providers would be established, whilst ensuring consumer protection*" If we agree on the envisaged breakdown of fees, as a matter of transparency, we would like to emphasize the importance of excluding • distribution costs from the other components, for the PEPP KID, as these costs strongly depend on the distribution channel and the attached advice. On that matter, linking with our preliminary comment, fees related to providing "personal recommendations", will fluctuate as a function of the needs expressed by the customer during the whole accumulation phase. This pleads for an "average yearly costs" approach • guarantee costs. On that specific matter we do not agree on the cost of guarantee definition as provided ("*premium charged for guarantees*") : it is essential to differenciate the cost of the risk that has been transfered to the provider (which is a risk premium) from the cost attached to the set up of such a guarantee. **Page 21** Regarding the "Reduction in Wealth" approach (RiW), we would need more information on the way it works before validating such an option and we consider that providers' feedback would also be needed to test both options (RiW and RiY).	

			Page 22 Article xa "review of the PEPP KID", We are not comfortable with the use of "significantly" ("*there is a change that significantly affects or is likely to significantly affect the information content in*"), too vague and subjective to trigger the review process. **Page 23 – Article xa Conditions on good time** We consider that the alinea 2(c) is not clear enough. More generally, we would encourage the adoption of measures in coherence with other existing regulations (IDD notably).	
No	**Name**	**Reference**	**Comment**	**Processing**

286.	FNMF	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	According to the findings of the Commission's recent fitness check of the EU, supervisory reporting requirements in the area of financial services, as presented on 7 November 2019, show inconsistencies between reporting frameworks, which reduce the quality of data and increase the administrative burden for financial institutions. To improve the system, the fitness check suggests a comprehensive approach by the Commission and the relevant stakeholders to further streamline the requirements and develop a supervisory reporting that is fit for the future. Bearing this in mind, a question arises on how to ensure consistency between existing reporting requirements that the different PEPP providers (insurers, asset managers, pension funds) are subject to and the new PEPP requirements. **Pages 26-27 Deadlines of the regular reporting** **There should be more clarity on the reporting obligations before the deadlines of reporting are set.**	Agreed, the deadlines have been reviewed.

287.	FNMF	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	**Regarding the 1% cost cap for the Basic PEPP** We do support the principle of cost efficiency but do not agree on the level of cost cap and consider that the overall benefit of such a cap concept could be challenged for various reasons: • With regards to the necessary investment to enter such a new market, it will be detrimental to the smaller players and would therefore question the proportionality principle. • Regarding the specific features attached to the PEPP product (switching possibilities, set up of risk mitigations techniques, information and advice obligations,…), it is not possible to evaluate the correct level of cap which could be acceptable for entering such a market. • Upfront investments to launch such a product will initially increase the overall weight of costs which may decrease subject to the potential success of the product. The cost cap could also have a negative impact on product innovation and could constrain the quality of service that the PEPP provider can afford to offer. We would rather defend the cost transparency approach which has proven to be a useful tool. **Cap Exclusion (if cap nevertheless considered)** We consider that distribution costs should be excluded from the cost cap. As previously mentionned, the level of distribution costs is directly linked to the distribution channel. We agree with EIOPA's approach that the capital guarantee should not be included in the Basic PEPP's cost cap. **Page 28/29 – automated advice without human intervention** It is worth noting that insurance undertakings are already subject to the requirements of the Insurance Distribution Directive, and there is a very limited use of automated advice (roboadviser) without any human intervention. As explained before, personalized advice is necessary even for basic PEPP during the accumulation phase given that many changes can occur in the lives of PEPP customers (i.e. job; family, wages; taxes, ...) and to take into account the financial knowledge of consumers.	Partially agreed, please see the response to comment number 11.

288.	FNMF	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	**Page 33 Article xa Establishing reserve** We observe that the use of mitigation techniques do not have the same implications when set up by the different typologies of providers, depending on the nature of the techniques and on the existing prudential regulations. The PEPP regulation underlines the need to maintain a level playing field approach and we recommend that such a principle be respected and that flexibility be preferred to overregulation.	Disagreed, the techniques are regulated to reflect on their specificities, not of those of the provider. The assessment of effectiveness can be consistently applied.

289.	FNMF	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	**Policy issue 1** We share most of the criticism against the RiY approach, in particular its dependence on yield assumptions and the fact that the consumer could think that fees are very low. For those reasons we do not agree with the policy option 1.1 which consists in replicating the RiY approach used under PRIIPs. Moreover we think that the PEPP KID should specify the fees regarding the liquidation phase. **Policy issue 2** Admittedly, developing a standardised pension product in a European legislative framework could lead to a reduction of cost in a long term perspective, however, we disagree with the fact that the PEPP (even the basic PEPP) will allow insurers to generate economies of scale, the potential market being too small. ("In 2015, 11,3 million Union citizens of working age (20 to 64 years old) were residing in a Member State other than the Member State of their citizenship and 1,3 million Union citizens were working in a Member State other than their Member State of residence." – source: PEPP Regulation) As mentioned above, it is necessary to exclude the cost of guarantee from the cost cap. Costs included/excluded from the cost cap should be precisely defined in order to avoid the risk of unfair competition. **Policy issue 3** The option 3 (which is the option chosen by EIOPA) is not provided with enough details to allow the FNMF to take a clear position (what are the objectives? Criteria?). We disagree with the option 1 (setting out strict criteria on investment allocation); more generally, setting too strict rules will not encourage insurers to enter in the PEPP market.	

No	Name	Reference	Comment	Processing
290.	ICI Global	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a	**I. The proposed approach is not "all inclusive" because it excludes the cost of the capital guarantee.** Despite labeling its proposal as "all-inclusive," EIOPA's approach is not "all inclusive" because it recommends excluding the cost of capital guarantees. Also, EIOPA's approach must be consistent with the Regulation's	Partially agreed, the justification of a level playing field has been

No	Name	Reference	Comment	Processing
		distinct feature, which costs should not be included?	language that requires EIOPA to “ensure a fair and equal treatment of the different PEPP providers and their products.” (Regulation (EU) 2019/1238 Recitals (55)). Excluding the cost of the capital guarantee is inconsistent with this language. The PEPP Regulation already reflects compromises that challenge seriously the PEPP’s viability, particularly the cost cap for the Basic PEPP. We acknowledge that EIOPA has a difficult task of drafting the RTS for the cost cap provision. We urge EIOPA, however, not to further jeopardize PEPP’s viability by steering a particular type of PEPP provider into the PEPP market at the expense of other types of providers. The consultation appears to embrace a view that products that offer “guarantees” are superior to products that do not offer guarantees, and therefore products with guarantees should receive special treatment. Whether guaranteed products are the best option for all savers is a subjective judgment. Guarantees do not cover the major risk to which EU citizens are exposed i.e., insufficient income for a decent and autonomous life after retirement. We disagree that <u>all</u> PEPP savers will want to forego return on their investment to bolster their account growth (and incur significant costs) in favor of an account that never loses principal and has zero return (actually negative return after costs) despite years of investment. Instead, PEPP savers should be entitled to select products that work for them and their retirement objectives. A guarantee is a product feature in the same way that a risk-mitigation technique is a product feature. Promoting one type of product over others will distort the PEPP market and limit the availability of choices, which will harm European savers who would benefit from a diverse PEPP market. EIOPA has a great responsibility toward EU citizens in this domain and should not limit preemptively PEPP savers’ access to a diversity of products that may be best for them by tipping the scale in favor of guarantee products. **II. The cost cap for the Basic PEPP should exclude mandatory advice required for opening <u>any</u> PEPP account.** The receipt of mandatory advice to open <u>any</u> PEPP account, including the Basic PEPP, is a required feature of the PEPP Regulation. (Article 34(2) of Regulation (EU) 2019/1238). The proposal includes the cost of mandatory advice within distribution costs and subjects such costs to the 1 percent cost cap that applies only to the Basic PEPP. EIOPA’s rationale is that distribution costs, including advice, are too high and that including them in the cost cap would drive down such costs. We are concerned that including advice in the cost cap will not result in	further developed in the impact assessment. Please also see the response to comment number 11.

No	Name	Reference	Comment	Processing
			lower cost but in savers not receiving the advice that they need. In forcing advice in the cost cap, EIOPA may either limit the type of advice for PEPP savers or reduce the pool of PEPP providers. Specifically, if the cost of advice is more than the fee cap, PEPP providers will have to limit the advice they can provide to fit within the fee cap. Alternatively, if PEPP providers cannot provide the advice required under the Regulation within the fee cap, they will not enter the market. So rather than reducing the cost of advice, EIOPA's proposal will likely cause PEPP savers either to receive less advice or have less choice from whom they can receive advice. This consequence is even more likely in the context of accounts with small amount of assets as would be the case for PEPP accounts at the start of the program. Based on data referenced in the EIOPA consultation, the average hourly rate for providing financial advice in the United Kingdom was between €87 and €406. Using the lower, hourly UK rate, for example, an investor needs an account balance of at least €8,700 for the cost of *one hour* of advice to fall within the 1 percent fee cap. And this does not even allow for any ongoing fund charges. By limiting the fees for advice, EIOPA may further exacerbate the problem of access to advice for smaller savers. Until PEPP accounts grow in assets over time, the fee cap may prevent providers from entering the market. EIOPA places substantial emphasis on the fact that advice may be automated, fully or partially, and that automation will allow advice to be provided at lower cost. With time, we will see more automation. However, the anticipation of future automation that may arrive in the advice space should not deprive today's savers of access to advice they wish to purchase. Finally, some PEPP providers will need to rely on third-party distributors and advisers. In the asset management world, the common paradigm is that fund providers manufacture products and third-party firms distribute them – so the manufacturer has no control over distribution costs (including advice) nor any potential economies of scale in the delivery chain. For those providing only the investment options, the advice costs included in the cost cap may result in providers not being able to offer products because they have no ability to influence the advice costs. As a result, these providers may not even consider entering the PEPP market because they have no way of ensuring that the combined costs of their products and advice provided by others will be within the cap. We recognize that EIOPA is aiming for the laudable goal of making advice more affordable, but the fee cap would simply reduce the availability of advice to EU savers. To allow PEPP savers an opportunity to access advice and for a diverse group of market participants to provide services to PEPP savers, we urge EIOPA to exclude the cost of advice from the cost cap applicable to the Basic PEPP.	

No	Name	Reference	Comment	Processing
			III. Portfolio transaction costs should be excluded from the cost cap. EIOPA's proposal includes portfolio transaction costs in the list of investment costs subject to the cost cap (see Consultation Paper, at 19, 29). EIOPA defines transaction costs as "actual payments by the PEPP provider to third parties to meet costs incurred in connection with the acquisition or disposal of any asset in the PEPP account," and lists brokerage and currency exchange fees as examples of these fees (see Consultation Paper at 19). EIOPA states that these costs "are passed on to PEPP savers as a reduction of return or assets value or in a fee." (see Consultation Paper at 19-20). We appreciate the importance of fees and costs to PEPP savers and believe they should be provided with information to understand the fees and costs they incur including transaction costs. Transaction costs should not be part of the 1% cost cap because of the practical difficulties in quantifying these costs, and the cap will unnecessarily constrain the ability of PEPP providers and their asset managers to manage portfolio investments. We recommend that portfolio transaction costs should be disclosed to investors—as is the case in the UCITS KIID and PRIIPs KID. Transaction costs may be incurred when assets are bought and sold. Examples of costs include explicit costs, such as exchange fees and transactions taxes, and implicit costs incurred through market impact (e.g. when trading at volume). As a practical matter, experience with PRIIPs KIDs has shown that quantifying transaction costs is a difficult and challenging endeavour that at times can produce results that are difficult to understand (e.g. negative transaction costs). Furthermore, transaction costs by their nature vary over time, particularly in volatile markets and because of variances in a PEPP's portfolio of assets (e.g. turnover, net sales or purchases of assets if transaction costs are not symmetrical). These characteristics present significant challenges for advanced forecasting of transaction costs for the purpose of a fixed cost cap. In addition, including transaction costs in the cost cap could hinder the ability of asset managers to manage the portfolio by discouraging trading. Managers of lifecycle funds, a permissible investment structure, will need to rebalance their asset allocations periodically incurring transaction costs. Including this fee in the cost cap could hamper the ability of the asset manager to execute on its objective. **IV. EIOPA should look to UCITS market to set realistic expectations for PEPP.**	

No	Name	Reference	Comment	Processing
			UCITS is a globally-recognised successful product for retail investors with "well-established and trusted legal framework" as recently described in the Interim Report of the High-Level Forum on the Capital Markets Union.[85] UCITS provide many important advantages to European investors, including professional management services, access to global markets, diversification of risks, benefit of regulation and supervisory oversight, and access to a wide array of investment options via "passporting." The UCITS market is mature and competitive, and the existing UCITS market is a good point of reference as EIOPA crafts a realistic and sensible framework for the PEPP, particularly with respect to the costs and charges. Life-cycle funds, which are explicitly identified in the Regulation as a viable Basic PEPP option, primarily invest through a fund of funds structures similar to UCITS funds of funds. We explore the unbundled costs for these types of funds to determine whether EIOPA's proposed "all-inclusive" approach to the cost cap is a realistic one in the current marketplace. Unbundled means that the ongoing charges do not include any fees intended to pay for distribution (including advice). In addition, ongoing charges, using EIOPA nomenclature, include the cost of administration, the cost of safekeeping of assets, and other costs. Ongoing charges, unlike EIOPA's proposed definition, do not include costs related to portfolio transactions and one-off costs such as entry, exit, and switching costs. The ongoing charges for UCITS funds of funds are commonly referred to as "synthetic" ongoing charges—made up of the ongoing charge of the fund of fund itself plus the ongoing charges of the underlying funds (proportional to the assets invested in those funds). The simple average ongoing charge of unbundled UCITS funds of funds themselves was 0.79 percent in 2018. This cost is before ongoing charges for the underlying funds are included to obtain the synthetic ongoing charge. In Table 1, we provide information on current ongoing charges for unbundled retail cross-border equity, mixed, and bond UCITS funds that could serve as underlying funds. Based on the simple average ongoing charges for unbundled equity, mixed, and bond UCITS, it is quite clear that it would be challenging for current funds of funds to fit under the 1 percent cost cap. Even if the fund of funds were to use index-tracking funds as the underlying funds, the cost cap is still likely to be too restrictive. For example, consider a UCITS fund of funds in which the assets are a 50/50 mix of index-tracking equity UCITS with average ongoing charges of 0.34 percent and index-tracking bond UCITS with average ongoing chares of	

[85] The interim report is available at https://ec.europa.eu/info/sites/info/files/business_economy_euro/company_reporting_and_auditing/documents/200220-cmu-high-level-forum-interim-report_en.pdf.

No	Name	Reference	Comment	Processing
			0.24 percent.[86] The synthetic ongoing charge for this hypothetical fund of funds would be 1.08 (0.79 percent + 0.5*0.34 percent + 0.5*0.24) exceeding the 1 percent cost cap even before the cost of advice and transactions costs are included.	

Figure 1
Percentage of UCITS Share Classes With Ongoing Charges Above and Below 1 Percent Cost Cap
Percent, 2018

	Percentage of share classes with an ongoing charge of:		
Investment objective	≤ 1.00 percent	> 1.00 percent	Simple average
Equity*	36%	64%	1.05
Mixed*	64%	36%	0.98
Bond*	89%	11%	0.75
Memo:			
Index trackers†	**99%**	**1%**	**0.31**
Equity	99%	1%	0.34
Bond	99%	1%	0.24

*Data only include unbundled share classes that exclude any fees intended to pay for distribution.
†Data for index-tracking UCITS include all share class types.
Note: Data include index tracking UCITS but exclude exchange-traded funds. Data exclude UCITS that invest primarily in other funds.
Source: Investment Company Institute tabulations of FITZ Partners data

[86] Source: Investment Company Institute tabulations of FITZ Partners data

No	Name	Reference	Comment	Processing
			We also consider another hypothetical example. Suppose, as an illustration only, PEPP providers are able to offer a Basic PEPP with an ongoing charge equal to the simple average ongoing charge of UCITS index-trackers (0.31 percent). As discussed in Section II, assume advice costs €87 per hour and that a potential PEPP participant requires one hour of advice in opening an account (e.g. to help the participant select the appropriate PEPP, determine how much to invest initially, and fill out paperwork). If the potential participant wishes to make initial investments of €500, €1,000, €2,500, €5,000, €10,000, or €12,500, even under these very modest assumptions, the relevant charges will exceed the 1 percent fee cap in each case (Figure 2). This underscores that the 1% fee cap is highly restrictive and even low-cost funds would have difficulty meeting the fee cap after advice and other costs are included.	

Figure 2:
Costs to Potential PEPP Participants of Investing Would Exceed 1% Fee Cap Even Under Very Modest Assumptions

Initial balance	Average ongoing charge for index funds	Initial cost of advice (1 hour of advice at €87 per hour) as % of initial balance	Total cost to poter PEPP participant as % initial balance
€500	0.31%	17.4%	17.71%
€1,000	0.31%	8.70%	9.01%
€2,500	0.31%	3.48%	3.79%
€5,000	0.31%	1.74%	2.05%
€10,000	0.31%	0.87%	1.18%
€12,500	0.31%	0.696%	1.006%

Further, there are two additional factors that EIOPA should consider in their examination of the fee cap. First, the amount of net assets in a fund directly affects ongoing charges (particularly fixed costs) because of economies of scale. The problem of scale will be further exacerbated if providers need to create new life-cycle funds as the default investment option in the Basic PEPP. PEPP as a new product will have little starting capital, and it will take time to build assets and realize economies of scale. Until these funds can gather certain level of assets, they will not be able to meet the cost cap particularly if distribution costs (including advice) and transaction costs are included.

No	Name	Reference	Comment	Processing
			Second, cross-border products will likely be more expensive if Member States can impose certain local requirements for their savers. The UCITS presented in Figure 1 were cross-border UCITS domiciled in Luxembourg and Ireland. We looked at these funds because PEPP is intended to be a cross-border product. We note that ongoing charges in cross-border funds tend to be higher than for single country funds because average fixed costs in cross-border funds tend to be larger. Specifically, most countries in Europe impose local requirements on the marketing of cross-border funds, thereby incurring costs for funds in each country in which they are registered and available for sale. There are also additional administration costs to cover the complexity of offering different share classes in different countries, which are often in different currencies. We hope EIOPA will consider the realities of the UCITS market and define a cost cap that enables market participants to bring products and options that can meet the needs of EU savers. Capping costs at a level that is not realistic risks EU savers having limited solutions that do not meet their retirement needs.	
291.	ICI Global carries out the international work of the Investment Company Institute, the leading association representing regulated funds globally. ICI's membership	Q9. Do you have any other general comments to the proposed approaches?	ICI Global is pleased to submit its response to EIOPA's Consultation Paper (Consultation) on the proposed approaches and considerations for EIOPA's Technical Advice, Implementing and Regulatory Technical Standards under Regulation (EU) 2019/1238 (Regulation) on a Pan-European Personal Pension Product (PEPP). EIOPA's work on RTS and ITS is crucial to ensuring that the newly created PEPP will develop as a successful product that helps EU citizens prepare for retirement. Getting the technical details right is critical if EU citizens are to have an adequate income after retirement. There is, indeed, urgency in helping EU citizens build their retirement savings when there are grave concerns about the continued sustainability of traditional pension systems (PAYGO and defined benefit). With the PEPP project, EIOPA is at the forefront of defining parameters in a new paradigm where individuals must become more responsible for complementing their retirement income. As recognized in EIOPA's and the Commission's work over the years, by many national governments, and in a recent report by the European Commission's High-Level Expert Group on pensions, the role of supplemental pensions will only continue to grow, as European demographics continue to challenge adequate income generation from traditional retirement systems. See *Final Report of the High-Level Group of Experts on Pensions*, European Commission (Dec 2019), available at https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupMeetingDoc&docid=38547 (*HLG Pension Report 2019*). This new long-term/retirement saving product also can help EU citizens ability to meet their other objectives, for instance their societal preference for sustainable investing. Further, developing robust retirement savings products also facilitates growth of capital markets and can help Europe meet its ambitious sustainable goals.	Noted.

No	Name	Reference	Comment	Processing
	includes regulated funds publicly offered to investors in jurisdictions worldwide, with total assets of US$32.2 trillion. ICI		See *HLG Pension Report 2019*; also see *Interim Report of the High-Level Forum on the Capital Markets Union*, A new vision for Europe's capital markets. (Feb 2020), available https://ec.europa.eu/info/sites/info/files/business_economy_euro/company_reporting_and_auditing/documents/200220-cmu-high-level-forum-interim-report_en.pdf. We recognize that EIOPA's task is not an easy one and developing standards for equity-based products is a challenge in a political environment where many do not understand how financial markets work. EIOPA must exercise its best thinking to bring forward a structure for PEPP that will facilitate individual retirement savings. If not, it will be an unfortunate missed opportunity that will take years to correct. We recognise that EIOPA can only do what the PEPP regulation requires, and the deadline for implementation is short. We also acknowledge that the adopted Regulation reflects compromises at Level 1 that already threaten the PEPP's attractiveness to consumers or providers. We appreciate that there may be an urgent need to revisit the PEPP Level 1 text to address some of the most significant shortcomings. We therefore believe there is a great imperative for EIOPA to adopt a structure or framework for PEPP that will help its viability rather than detract from it. One aspect that will jeopardize irreparably the launch of PEPP across Europe is the cost cap imposed on the basic PEPP. The cap is an unfortunate political compromise that will limit the types of products and providers that can enter the PEPP market, thereby reducing drastically the range of options that will be available to potential PEPP savers. Although EIOPA cannot remedy the adoption of the cap by the co-legislators, it has the power to determine what is covered by the cap. As we urge in our response to the cost cap question (question 6), for this product to be useful to EU citizens, EIOPA must exclude certain costs from the cap. These changes are absolutely critical if we want to give the PEPP any chance of success. We acknowledge that the consultation covers many other topics, such as minimum standards for risk-mitigation techniques and disclosures. These elements are also important to make sure the product delivers on its promise. However, the cost cap is the major issue -- the biggest impediment to the introduction of PEPP. For this reason, we have focused our response on this single topic. We would be interested in further discussing our thoughts on the other topics with EIOPA.	

No	Name	Reference	Comment	Processing
			We urge EIOPA to do what it can under the Regulation to launch the PEPP for EU savers. We understand that in the coming weeks EIOPA will begin a survey on the attractiveness of the PEPP, and we look forward to engaging with EIOPA.	
292.	Fairr.de GmbH (Raisin Group), Germany	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	Generalized or individual KID? To us it is not completely clear whether the KID is supposed to be a general document for a specific PEPP such as the "Muster-Produktinformationsblätter" for the German Riester and Rürup products or a individual KID for a single customer based on their information (age, savings rate, retirement goals etc). If the KID is meant to be an individual KID, some of our comments below might be obsolete. The decision general vs individual needs to apply to all sections of the KID. If risk and return are on an individual basis, then past performance needs to be as well otherwise it is misleading. We live in a world of digitization and customers (and other stakeholders like journalists and consumer testing agencies) should and can create their individual offer and a personalized KID reflecting that offer. Only personalized PEPP KIDs should exist. Personalized KIDs are an inherent part of the offering and should not be presented before but with the offer. Providers will based on experience optimise their cost structure to look good in the KID. In our view both mock-ups are generally well designed. We focus here mostly on specific comments around the presentation of risk & return information. We generally like Example A in this regard with the following points taken into account. Both Examples, page 2: - Withdrawal by calling in should not be allowed. We see this as problematic from a security, fraud, antimoney laundering perspective and should not be allowed. Example A, page 3: On page 1 only the benefit for annuity and life-long payments is checked but the table shows lumpsum payments as well. We assume this is for mockup purposes only and not the case if the product does not offer the options? It is unclear whether a PEPP can offer several retirement benefits and whether one KID is used or several in this case? It should be ensured that the information provided in the various sections is meaningful for all combinations of retirement benefits	Agreed, the PEPP KID should be a highly standardised information document. The content and sequence follows from the PEPP Regulation.

No	Name	Reference	Comment	Processing
			- The numbers attached to the weather conditions seem to be the numbers of a lump sum payment at retirement although that is not completely clear from the wording. What if the product does not offer lump sum payments? Should the monthly payment be stated? What if the product offers annuity payments or drawdown payments (which would be higher)? Which number should be shown? How is this comparable between different products with different options? Life-long annuity payments protect against the risk of longevity, the most important benefit of any pension product in our view. This additional benefit is not captured in the current layout. - It is unclear what the weather conditions are exactly. How are the numbers calculated and scenarios defined? If the weather conditions are clearly and transparently defined, a separate risk indicator is not needed in our view as the risk indicator can be confusing to the consumer for the following reasons: What is the retirement objective in a generalized PEPP KID? In the example of the mock-up, a 60 year-old with significant other savings could easily reach his/her retirement goals with a monthly contribution of 100€ in an PEPP but the risk indicator shows maximum risk. - If the medium weather scenario is the median simulation result, shouldn't the probability always be 50%? - If the UFR is used, the risk for shorter investment periods will always be high for conservative products, which invest at the lower real market rates. Example B, page 3: - We strongly advice against using the word "Warning!" anywhere unless absolutely necessary. The PEPP is highly regulated and the customer should have confidence in their purchase decision. This confidence is undermined if frequent warnings (especially with an exclamation mark) signal a high risk decision. "Warning!" can often be exchanged for "Note:". In online terminology these warnings are potential conversion killers. - The side note in the margin "Warning! The best estimate scenario is not necessarily the most likely scenario" is highly confusing to the consumer (and even the experienced practicioner). The average consumer does not have the statistical knowledge to understand this point. However, they are being warned of something they don't understand, so will most likely not proceed with the purchase decision for the wrong reasons. Example B, page 4: We strongly advice against using past performance anywhere. Past performance is no indicator of future performance. PEPP savers need to be able to accept up and downs in their assets over the life time of the product and performance is generated over very long periods of time. Recent past performance numbers do	

No	Name	Reference	Comment	Processing
			not provide valid insights into the future performance potential of the product. On the contrary, recent drawdowns in the stock market usually indicate positive long-term future return. Past performance numbers also attract “hot money”, which expects a continuation of positive performance and is very dissatisfied, if the performance does not continue. Past performance for savings products also depend vastly on the timing of savings rates, start dates, lump sum payments and their timings, product switching dates, etc. A generalized past performance might not have any relation to the past performance of actual customers over that time period. Past performance can therefore not be included in an individualized KID as the exact timings are unknown and past timing do not exist for the specific customer. What should past performance be for a life-cycle product? Equity ratios and performance would depend on the age and remaining contract life of the customer Past performance is usually not comparable across different product categories such as insurance and investment products At fairr by raisin we have never published past performance numbers and are actively and successfully educating customers not to ask and look for them but to think for themselves about the risk & return expectation of the product and their personal situation. Benefit Statement, page 3: - Reference is made to the domain mypension.eu. We would like to highlight that mypension is a broker for insurance products in Germany and uses the domain mypension.de. This can be confusing for consumers and we advise to use another domain name.	
293.	Fairr.de GmbH (Raisin Group), Germany	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	Generally speaking yes, as risk and return are intrinsically linked for any investment product.	Agreed.
294.	Fairr.de GmbH (Raisin Group), Germany	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the longterm risk-free interest rate?	We disagree. Dispersion: - The risk to the retirement saver is not the general dispersion of outcomes but only the potential shortfall vs retirement goals. In technical terms the risk is only the downside standard deviation. With a capital guarantee the downside standard deviation is equal to zero.	Partially agreed, the objectives have been amended in this regard.

No	Name	Reference	Comment	Processing
			Risk-free rate: The objective of a pension product is not to reach the long-term risk-free interest rate, however defined. The objective is to support an adequate standard of living during the retirement phase and proctect against the risk of longevity. The longterm risk-free interest rate may or may not be relevant in this context. A saver starting with a PEPP late in life would still benefit from the additional savings made for their retirement (plus potential tax benefits) but a product with a short investment horizon should not be benchmarked against any long-term rate. Doing so would indicate to the saver a poor product, discouraging them to save in the first place. - It can be argued that an investment product for retirement should at least achieve a nominal rate of return equal to the inflation rate. However, as defined in the proposal, reaching the long-term risk-free rate implies achieving the inflation target + a real rate of return. Please also refer to our comment 12 for detailed discussion of inflation and the UFR.	
295.	Fairr.de GmbH (Raisin Group), Germany	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA	Generally, yes. However, these assumptions should be clear, independent of each other, and plausible. Please see our additional comment 12 for further detailed feedback. Again we advise against using past performance anywhere.	Agreed.
296.	Fairr.de GmbH (Raisin Group), Germany	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	We agree with both questions. However, we gave serious reservations about the presentation of costs to the consumer as described in the proposal. Please refer to our comment 13 for details. Cost of guarantee: - it is unclear what the cost of guarantees contains. This should only include cash-costs of guarantees charged to customer account. For example, it is possible to provide a guarantee through a bank's balance sheet without direct cash costs to the customer. In this case, no cost for the guarantee should be shown. Even if the provider incurs cash costs but does not charge the customer, the cost should not be shown.	Partially agreed, the premium set for the capital guarantee depends on the providers' individual set up.

No	Name	Reference	Comment	Processing
297.	Fairr.de GmbH	Q7. Which criteria should be added to foster the	Not clear whether this refers to risk-mitigation techniques for product providers in their asset management or for EIOPA as a regulator? Therefore, no comment.	Noted, this has been clarified.
298.	Fairr.de GmbH (Raisin Group), Germany	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	Many of the challenges faced in regulating the PEPP are laid out well and we agree with many of the arguments made. Page 46: While it might have been editorial error or error in the quoted source, the simple addition of entry, exit and running cost is conceptually wrong. It is also unclear whether these costs have the same reference amount.	Agreed, this has been clarified.
299.	Fairr.de GmbH (Raisin Group), Germany	Q9. Do you have any other general comments to the proposed approaches?	The proposed approaches are sound and balanced in many ways. However, utmost care has to be taken that the framework around risk premiums, nominal and real returns, nominal and real guarantees, inflation rates, and costs is consistent and not flawed. Most existing regulation for other products is in our view flawed to some extent. We provide additional comments below and encourage EIOPA to spend additional time and resources on these questions and work with practicioners and academia on this. In particular, we recommend the work by Dimson/Marsh/Staunton and Ibbotson for some of these questions. We offer our assistance. Other: We agree with discarding value-at-risk measures.	Agreed.
300.	Fairr.de GmbH (Raisin Group), Germany	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We welcome that the PEPP and supporting legislation explicitly recognise and welcome online distribution and try to make the regulation suitable and directly applicable in an online context. We understand the importance of the KID from a regulatory and legal perspective. However, in practice interactive tools, gamification and real-time quoting offer the consumer much more information and easy access to a variety of scenarios. These tools are in our view much more relevant and informative to customers than a KID. A well designed KID however can be important for comparison of different products by customers or other stakeholders. Page 23, Article xa, 2.c.: we would welcome guidance from the regulator on how this should be implemented in an online context.	Agreed.
301.	Fairr.de GmbH (Raisin Group),	Page 33, life-cycle models	It is unclear to us whether this calls for a static model with fixed equity ratios or also allows for dynamic models such as Constant Proportion Portfolio Insurance (CPPI). A static approach would greatly limit innovation and ignores customer wishes. It would also be contrary to efforts of consumer advocates in educating consumers on the benefits of dynamic models.	Noted, both models are possible, if they match the eligibility criteria.

No	Name	Reference	Comment	Processing
	Germany			
302.	Fairr.de GmbH (Raisin Group), Germany	Pages 17-19, standardised inputs, risk premiums, UFR	General comment on the proposed framework: - the framework proposed is unsuitable as it has interdependent assumptions and too many moving parts, e.g. the long-term risk-free rate incorporates one harmonized inflation assumption for all countries but the proposal also wants to include an inflation assumption on country level, which is contradictory because risk premiums only seem to depend on the UFR. - Page 17/18: unclear, which inflation rate(s) are referred to. What is the actual recommendation of this section? It seems to be cut short. How should this work in practice? Some examples would be helpful. Is this the same inflation rate as for the infaltion adjusted guarantee? This would be problematic for product design. UFR: - Highly questionable benchmark - Not known to consumers - Not directly linked to market rates - Not a “realistic” benchmark, i.e. practically an artificial number - Not investable. Benchmarks need to be investable - Requires re-estimation of risk premiums - Normally used for very long time horizons where market rates are not readily available. Proposal here is to use them for any time period - - Products with 5-10 years of contract life would always underperform the UFR. Products invested in risk-free assets such as AAA-rated government bonds would underperform the risk-free interest rate. This will lead to dissatisfaction of consumers with the PEPP in general. Care should be taken that national inflation, wage growth and currency developments are combined correctly with the fact that the asset classes represented in the product will earn global risk premiums. The current proposal does not seem to be fully internally consistent. Wage growth: - It should be taken into account that over long periods of time, wage growth leads to higher contributions to savings products. Recommendation: Along Dimson/Marsh/Staunton and many others, we suggest using real, worldwide retuns per asset class. We have done this for our time machine tool.	Partially agreed, the requirements have been further clarified.

No	Name	Reference	Comment	Processing
			https://www.fairr.de/en/products/fairrobo/#zeitmaschine	
303.	Fairr.de GmbH (Raisin Group), Germany	Costs, Presentation of Costs, Pages 19-21	Page 20: - This is one of the most confusing proposals for a cost structure from a consumers perspective that we have seen. It seems simple but is confusing and potentially misleading and wrong. It is unclear what the actual cost structure is. Are the different cost items fixed or variable? The consumer has no way of assessing the impact of changing their contributions (or other aspects) on cost structure. - Showing first year costs is arbitrary and overall irrelevant for the contract. This becomes obvious when the German practice of distributing sales commissions over the first 5 years of the contract life is considered. The timing of costs are ignored but massively affect compound returns over the life of the product. Fees based on assets under management only rise over time with assets, which benefits the customer. Upfront sales commissions always have a strong negative impact on compound returns. - Focus on Euro amounts is not helpful. Euro amounts might seem simple but are not actually relevant. Consumers might focus on Euro amounts, ignoring potential payouts of the product. Higher return products (equities) generally have higher costs. Euro amounts also ignore timing of costs. However, using discounted Euro amounts is too complex and consumers do not understand this either. We advise not to use Euro amounts - EIOPA follows an all-in approach to costs. Breaking costs down into different items runs contrary to this approach. What matters for investment success is the overall cost of the product. How this is distributed between the various parts of the value chain is at the end of the day irrelevant. Total cost relative to a common reference amount such as assets under management is much more helpful for the customer to compare products than comparing a myriad of individual cost items. Proposal of the German Association of the Insured (BdV), page 21: A RiW approach can make sense, if it is ensured that gross and net outcomes are calculated int eh same way across providers and products and that this number cannot be optimised to look good in the precontractual KID while performing differently in real life. The proposal of the BdV should come with an explanation that the gap is not just costs but also a compounding effect. Recommendation: - The presentation should include a forecast of the portfolio value after 5, 10 and 20 years or for the first 10 years and after all cost. Given predefined return parameters, this leads to a comparable basis of outcomes	Partially agreed, the requirements have been further developed to focus on 'total costs per annum' for the PEPP KID.

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			between products, which is easy to understand for the customer and clearly shows the impact of costs and their timing.	
304.	Fairr.de GmbH (Raisin Group), Germany	Investment vs Insurance Products	It has to be ensured that the KID and Benefit Statement are feasible for both investment and insurance products and do not favour one product category over the other because of layout or information requirement	Agreed.
305.	Fairr.de GmbH (Raisin Group), Germany	Distribution	PEPPs can be offered by banks/asset managers and insurance companies. In practice these institutions are regulated differently despite harmonization efforts. Also their products are distributed by investment brokers on the one hand and insurance brokers on the other hand, which again are regulated differently in practice. EIOPA and others should ensure a level playing field between products and distribution channels, especially crossborder. I.e. a PEPP should always come with the same obligations for the distributor whether it is provided by a bank or insurance company, whether it is sold by an insurance broker, investment broker or the provider itself and whether it is sold nationally or cross-border.	Agreed.
306.	Fairr.de GmbH (Raisin Group), Germany	Nominal vs inflationadjusted guarantee	A nominal guarantee should be seen as the default setting for a guarantee and an inflation-adjusted guarantee as an additional feature, which may be worth highlighting. On the contrary, the inflation-adjusted guarantee should not be seen as the default with a warning attached to the nominal guarantee.	Noted, this seems to be a misunderstanding.
307.	Polish Chamber of Insuranc e, Poland	General comments	Polish Chamber of Insurance (PIU) welcome the opportunity to contribute to the work on PEPP. Aging society in the EU requires immediate and efficient action and we believe that insurers are well placed to provide necessary solutions. Nevertheless, PIU would like to emphasize that the wide range of issues to be dealt with by EIOPA requires substantial works as it touches upon many technical issues that are completely new at EU level eg. risk mitigation techniques and pricing regulation. EIOPA’s works could set an example, establish a reference, which could have an impact on national pension systems and related regulatory frameworks, especially touching long-term savings products offered by insurance companies. Some discussions that are currently taking place at national level are close to PEPP developments. PIU is concerned that PEPP contracts tend to be very long-term contracts. Unclear provisions that are not tested properly would expose providers to a unquantifiable level of legal/compliance risks during the whole contract period and even beyond.	Agreed.

No	Name	Reference	Comment	Processing
			Therefore, PIU would encourage EIOPA to build on existing well-functioning solutions. Introducing new conceptual and complex ideas whose merits are yet to be proven would expose both insureds and providers to the huge risk and may be harmful to the whole PEPP project.	
308.	Polish Chamber of Insuranc e, Poland	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	In PIU opinion it is crucial that these mock-ups undergo proper consumer testing to ensure they effectively bring expected benefits to PEPP prospective savers and members. PIU would like to draw attention that these mock-ups are not addressing the issue of information overload and burden. Information should focus on quality rather than quantity. Receiving too much information could in fact result in savers not saving for their retirement and/or not making the choices that would best address their demands and needs. Against this background, the following elements deserve particular attention: Duplication of information should be avoided. Adding additional information to PEPP documents should be avoided and carefully weighted in relation to the added value it brings to consumers. It is unclear how EIOPA's suggested approach to the disclosure of past performance would be helpful or provide savers with relevant information. The PEPP Regulation does not require a benchmark for past performance. The PEPP Regulation only requires the 10 years past performance to be disclosed in the KID and the benefit statement. Adding the 5, 3 and 1 past performance goes beyond the mandate granted by the level 1 legal text. The cumulative impact of legislations should also be duly considered in order to avoid information overload and burden. The different pieces of legislation which are applicable to the PEPP, their distribution and providers will most likely result in inconsistencies, overlaps and duplication. PIU would like to stress Insurance Europe estimations, which shows that an insurance broker selling a sustainable PEPP online would have to disclose between 158 and 202 pieces of information at precontractual stage (depending on how the PEPP second regime lex specialis nature is interpreted). The disclosure of two performance tables in PEPP information documents (benefit projections and past 10 years) despite being required by the Level I Regulation would not help consumers understand the product. In contrast, it will result in overloading consumers with further information. Such an overload of figures, obtained through different methodologies (past performance is anchored in actual historical data, while future scenarios show the range of possible outcomes), would only confuse consumers, and definitely not simplify their choice. Several elements presented in the illustrative mock-ups require further clarification: In order to ensure transparency and comparability of information across PEPPs, PIU recommends introducing a distinct, standardised and compulsory section indicating whether the PEPP provides coverage against biometric risks. It is important to stress when such protection is provided. It is equally to stress when this	Agreed, the requirements have been further developed and specified.

No	Name	Reference	Comment	Processing
			protection is missing and warn against the practical consequences when not covered against financial, longevity, mortality and morbidity risks. Suggested language for various narrative could not always be understandable to average savers. Also, technical concepts/jargon such as biometric coverage, ESG factors (beyond sustainability), sub-accounts and risk mitigation techniques will require further explanations or alternative wording. In the PEPP KID "what is the product section?" information on retirement benefits should distinguish "fixed-term" annuities from "life-long" annuities as different categories. We see limited room in the PEPP Benefit Statement mock-up to embrace the possibility that a PEPP could have several sub-accounts with different contribution levels, different taxation, different costs resulting from providers (ie. in case of partnerships). PIU also notes that not all EU countries have the euro. Consequently, PEPP savers may have sub-accounts in euro and other national currencies. The issue of converting currencies as well as the choice of the currency in which the main information in PEPP Benefit Statement will be displayed needs clarification. Information about currency risk should also be included in PEPP KID and PEPP BS. This aspect needs to consider benefit possibly entailed by layering of information. Monetary disclosures are difficult to implement in a meaningful way most of all when dealing with a standardized pre-contractual information document for a pan-European product ie. the assumptions used in the KID mock-ups (eg. 10k accumulated capital, 100 euros monthly contributions) are not relatable in several EU countries depending on income levels, savings capacity and currency. Also, it does not embrace the fact that a PEPP with several sub-accounts might have to be presented as multicurrency products. PIU also notes that PEPP savers may have sub-accounts in euro and other national currencies. The issue of converting currencies as well as the choice of the currency in which the main information in PEPP Benefit Statement will be displayed needs clarification. Information about currency risk should also be included in PEPP KID and PEPP BS.	
309.	Polish Chamber of Insurance, Poland	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	Polish Chamber of Insurance supports considering risk, reward, performance and risk mitigations in a holistic manner, but a PRIIPs-like approach would not be the right approach as it would not be able to capture the effect of guarantees and risk mitigation techniques. The PRIIPs deterministic synthetic risk indicator (SRI) would not provide information that is granular enough to reflect the PEPP specific features. The PRIIPs' risk approach would also not be suited to the PEPP, as the underlying methodology is anchored in recent historical data, extrapolating the past 5 years performance to project the future expected benefits. Despite welcoming EIOPA suggested deviations from the PRIIPs framework, in order to embrace the PEPP specificities, PIU believes that there are still too many elements missing from the draft technical advice, the impact assessment and to mock-ups. Against this background, we urge EIOPA to take the necessary time to further investigate the topic before finalizing its technical advice to the EC.	Agreed, the requirements have been further developed along those lines.

No	Name	Reference	Comment	Processing
			Specific comments on risk measurement The insurance industry is extremely concerned that EIOPA's proposals require to assess risks at individual level, based on subjective objectives and personal circumstances (page 13: "the main risk of pension product is the risk of not reaching the individuals' retirement objective"). It is indeed unclear how EIOPA's proposals to "link the riskiness of the investment option to the relative deviation of the projected pension projection from the best estimate" (page 15) could work in practice. The objectives pursued by a saver when purchasing a PEPP will vary greatly. Depending on local and personal circumstances, a PEPP might be purchased either to build up the main source of income in retirement or could more simply be used to top-up other sources of income. Many other factors will also impact individual expectations (standards of living, remaining duration…). Likewise, we really wonder how could it be possible to factor in individual expectations when disclosing PEPP risks in a standardized pre contractual information requirement and we would invite EIOPA reconsidering the suggested heading in the PEPP KID mock-ups "how likely it is that I will reach my retirement objective?". If different PEPP savers aim different retirement objectives, there is a risk that the same or very similar PEPP products would score differently. Moreover, consumers will not be able to compare different products unless the risk is uniquely measured against the same benchmark. Also, EIOPA suggested proposal on page 14 is a perfect example of what "over-engineering" is and how it could lead to very few people – if any - being able to understand PEPP risks ("For the quantification of the risk measure the standard deviation from the mean (best estimate) expected outcome per decumulation option available (PEPP KID) or decumulation option chosen (PEPP Benefit Statement) together with the probability of reaching returns in line with the ultimate forward rate is suggested to be used"). We believe it is the role of advice - not the one of risk measurement and information disclosure - to assess and ensure that a contemplated PEPP effectively matches the personal and individual circumstances. On the contrary, risk assessment must remain objective meaning that it should measure possible risk of losses considering the following elements: the PEPP general objectives as set by the Regulation (ie. nominal capital protection only at the end of the accumulation phase), the market risk of underlying assets, the risk mitigating effect of the investment strategy. Specific comment on risk indicator When it comes to the suggested risk classification, we understand from the mock-ups that there would be up to 4 categories of risks. However, the consultation paper does not provide sufficient information and the following crucial information is missing: First, it should be clarified against which objective the PEPP risk is being measured. We strongly encourage to follow the letter of the Regulation and not to consider individual objectives. Then, the presentation of risks should be clarified. Does it measure how likely or unlikely the PEPP will be to meet its objectives? ie. does category 1 correspond to the lower or the higher risk? What is the rationale behind having only 3 or 4 risk categories? We see the point of not having the same number than in PRIIPs to avoid wrong comparisons but, the number of categories and the choice between an odd or even number of categories should take into account the results of the consumer testing.	Agreed, stochastic modelling is required.

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			Would the level of risk be derived from the stochastic modelling? Clarity on the methodology used to quantify risks is necessary in order to be able to comment on the presentation of these risks. However, we have not been provided neither with the economic model itself nor with its parameters. If so, what would be criteria applicable to each category? What would be the percentage value for each risk categories? It is important that a single quantitative model is applied to ensure that PEPP risks are consistently classified. *Specific comments on performance/benefit projections*. Polish Insurance Association recommends that EIOPA uses a stochastic economic model to generate the investment return assumptions that will be used by all companies. EIOPA's suggested approach is confusing as it suggests different options/elements (LTRFR, inflation, wages), without specifying whether they should be considered all together or just some of them at specific times. There is a strong concern that EIOPA is creating a complicated and confusing systems for providers, distributors and customers. It is confusing how EIOPA refers to and appears to be considering using the UFR. The UFR is a calibration element used for generating solvency II risk-free rate curves. It should not be used directly to generate assumptions for performance/benefits projections. Inflation cannot be forecasted by providers. Inflation is the result of a complex set of factors. Although there is a target set by central banks in some countries, in practice the actual rate of inflation is different from that target. Therefore, using inflation to generate either assumptions for projections or benchmark is also problematic. Finally, it should be noted that inflation is not a product-specific feature. Based on EIOPA's proposal, there is an impression that inflation is only relevant for guaranteed products. Wage inflation is similarly difficult to forecast in any accurate way and in trying to include an assumption could easily confuse customers more than benefitting them. The more elements are to be included in the projections, the more volatile these projections can be and the more difficult to explain and understand. We would recommend EIOPA using the stochastic economic model to project PEPP benefits/performance and using adequate warnings alerting savers that several factors could impact the value of their future benefits eg. different types of inflation, taxation, evolution of wages and currency exchange rates (in case having PEPP sub-accounts in different currencies). PIU support adding a specific warning helping savers to understand the benefits of products offering a guarantee as their added value could not always be captured by performance scenarios. The solution investigated in the context of the ongoing PRIIPs review, the "minimum guaranteed scenario", showing maximum possible losses, could be a valid option to consider for the PEPP.	Agreed, EIOPA sets out the framework, yet does not prescribe the use of a specific stochastic model.
310.	Polish Chamber of	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of	The PEPP Regulation requires that all investment options must ensure "sufficient protection for the PEPP saver" (article 42(3)). The Basic PEPP should allow saver "to recoup the capital invested" (article 45(1)) meaning the "aggregate capital contributions after deduction of all fees, charges and expenses that are directly or indirectly borne by the savers" (article 2(24)). This capital protection is due at the end of the	Agreed.

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	Insurance, Poland	reaching at least the long-term risk-free interest rate?	accumulation phase (article 55). PEPP risk mitigation techniques should ensure that the investment strategy is designed to "build up a stable and adequate individual future retirement income" (article 46(1). EIOPA suggests that accumulated savings should be protected against inflation. This would be extremely challenging — if not impossible — considering inflation's fluctuant nature and the fact that it is not known at the time when the guarantee is issued. Such commitment would result in an unquantifiable promise, most likely not authorised by national supervisory authorities and way too burdensome from a prudential point of view. Otherwise, it would require to exclusively invest in inflation indexed bonds, which are not widely available in Europe and would defeat the investment diversification policy agenda. Moreover, it does not consider the fact that in most EU countries, inflation is higher than maximum guaranteed interest rates set at national level. It should be noted that the inflation in Poland in January 2020 has increased up to 4,4% (YtY). For such a high inflation rate there are almost no available instruments that could allow insurance companies to ensure such level od guarantee. This could in consequence result in insurance companies not to involve in offering PEPP with a quarantee. EIOPA also suggests that PEPP investment strategies should at least reach the Long-Term risk-free rate. It is not clear why this is a particularly relevant pension savings target and is unlikely to be a concept easily understandable by savers.	
311.	Polish Chamber of Insurance, Poland	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	PIU agrees that the assumptions should be somehow standardized at EU level. We believe that the establishment of a stochastic economic model for the PEPP could not only ensure consistency but also measure the probability that the PEPP will meet its objective i.e. nominal capital protection and allow the establishment of minimum thresholds to satisfy to identify if a risk mitigation strategy is safe enough to be sold to the public with the Basic PEPP quality label. The insurance industry believes that EIOPA has a role to play in setting the key assumptions and inputs for this stochastic economic model. However, based on national experience, we also see merits in EIOPA being assisted by an independent third party to establish, run, monitor and update the economic model on a regular basis. National authorities might also be a good institution to be using the results of the model as a basis to assess PEPP registrations. Last but not least, it is vital that the stochastic economic model is appropriately calibrated and uses an appropriate range of data. Recent PRIIPs experience has shown that using only the past 5 years historical data has proven suboptimal to project reliable information on future benefits/performance. Further discussions are needed to identify the relevant historical data. This is also why it would be so important to have independent experts involved making calibration decisions.	Agreed, please see the response to comment number 309.
312.	Polish Chamber	Q5. Do you agree that PEPP's product supervision requires one	No comments	

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	of Insurance, Poland	set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?		
313.	Polish Chamber of Insurance, Poland	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	Polish Chamber of Insurance draws attention on impact that a fee cap would have on the PEPP. We agree that the guarantee is a distinct feature and possible related costs should be excluded. A way should be found to exclude the cost of advice, because without this the PEPP is unlikely to be viable. The 1% cost cap should consider average yearly costs. While supporting the goal of cost efficiency, we believe that pricing regulations would prove a real challenge to implement in practice for the following reasons: – A 1% fee cap will challenge the launch of PEPP, given its voluntary nature and expected limited scale. – A 1% fee cap will limit the diversity of PEPP providers and products/features on offer. – A 1% fee cap will be particularly detrimental to smaller-sized providers as they might not benefit from an existing scale and/or infrastructure as a basis to launch PEPPs. – A 1% fee cap risks compromising the expected high quality PEPP standards. – A strict all-inclusive fee cap would also be challenging given the many new features and requirements introduced with the PEPP (mandatory advice on 3 occasions, design and administration of at least 2 subaccounts, recurring switching, creation of risk mitigation techniques, detailed information disclosures at various stages…). – PEPP manufacturers and distributors will need to develop these services from scratch and the corresponding level of fees cannot be fully anticipated at this stage of the PEPP process. – A strict annual fee cap does not consider the fact that costs tend to decrease over time, especially when measured against the capital invested. On the contrary, transparency of costs has proven to be a useful tool to enable savers when making an informed choice but also to boost competition and ultimately drive costs down for providers to stay competitive in the savings landscape. Acknowledging the political agreement, we believe that the scope of the fee cap should carefully consider the following cost items and principles. *Guarantee costs:* PIU supports the exclusion of the guarantee from the fee cap requirement. Guarantees are not a cost but a distinct sectorial feature which is different in nature in comparison with other risk mitigation techniques. Both "life-cycling" and "pooling and smoothing" leave the risks with the customers (either with customers on an	Partially agreed, please see the response to comment 11.

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			aggregate mutualized basis or with customers individually). A guarantee transfers risks away from the customer to the (insurance) company. The amounts charged for guarantees are also different and go beyond the costs implied by other risk mitigation techniques: Insurance companies providing guarantees will have all the same type of costs as those companies providing life-cycling or pooling and smoothing, fund management, asset liability management and transaction costs resulting from the need to buy and sell individual assets and to re-balance the portfolios over time. They will also have additional costs and constraints created by the requirements set by Solvency II (valuation of liabilities and solvency capital requirements). PIU also supports the exclusion of the advice costs from the fee cap requirement. *Time horizon of the fee cap* PIU urges for the fee cap to consider "average yearly costs" for the following reasons: – It would allow to consider costs over the lifetime of the product, irrespective of the timing of the costs. – It would be suitable to all products with different costs structures, different timing and therefore embracing the expected PEPP diversity. – It would reflect the standard costs glidepath ie. the fact that costs tend to decrease over the lifetime of a product and therefore allow to mitigate higher costs at the beginning of the accumulation phase. A strict yearly fee cap would prove a real challenge and be detrimental to the PEPP take-up. For instance, referring to the assumptions used in the mock-ups, a strict interpretation of the yearly fee cap would be detrimental to PEPP with ongoing premiums, which we understand would probably be the most common variant of PEPP. Finally, an "average yearly cost" approach is also in line with the objective displayed in the PEPP Regulation, ie. "to ensure a level playing field" and "equal treatment" between different PEPP providers and different types of PEPP "with their particular cost and fee structure" (Recital 55).	
314.	Polish Chamber of Insurance, Poland	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	*General comment:* PIU recommends introducing a uniform high-level principle-based approach for all types of risk mitigation techniques, combined with a holistic stochastic model and eligibility criteria to ensure consumers' interest are well protected. A principle-based approach would reflect the fact that the level I Regulation only provides for a non-exhaustive list of Risk Mitigation Techniques (ie. "inter alia") leaving the door open to innovation and new investment techniques to mitigate PEPP investment risks. Furthermore, it would also reflect that a PEPP might combine several risk mitigation techniques. There is a need to ensure a level playing field between different types of risk mitigation techniques. As it stands, EIOPA's approach to smoothing and pooling (additional disclosures, segregation of assets and equity	Agreed.

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			loan) as well as to guarantees (additional inflation-related disclosures) appears to be much more penalizing than the one for life-cycling strategies. Also, the eligibility of Risk Mitigation Techniques should be measured against the objective set by the Regulation ie. nominal capital protection. *Life-cycling strategies:* PIU welcomes EIOPA's suggested high-level/principle-based approach when dealing with life-cycling strategies. Introducing excessively restrictive requirements to frame these techniques could challenge innovation on financial markets and defeat their added value (ie. flexibility) and therefore decrease attractiveness of lifecycling to PEPP savers and providers alike. However, some safeguards are needed to ensure that these life-cycling strategies meet the objective set by the PEPP Regulation ie. allow the PEPP saver to recoup its capital. This is where an economic stochastic model together with thresholds conditioning eligibility might come helpful (see question 4). The possibility to extend the last phase of the life cycle beyond the expected end of the accumulation period, which is especially relevant for life-cycling, should not be introduced as a risk mitigation technique. Such 5 years buffer does not mitigate investment risks and does not shift risk away from the savers. On the contrary, it increases the burden weighing on individual savers, as they will untimely be the one deciding to postpone the pay-out. It is also not in line with the Level 1 Regulation that explicitly requires providing capital protection at retirement (article 55), not 5 years later. Moreover, this corresponds to conditions in relation to the decumulation phase, which are left at the discretion of members states (article 57). Finally, this option would not be consistently available across Europe as it is conditioned to a large extent to national tax, social and labour laws. *Establishing reserves / pooling and smoothing* The "pooling" of individual assets in a collective fund allows providers to benefit from a larger scale and to increase their exposure to a wider range of assets classes. The "smoothing" of returns aim to reduce the direct impact of market changes on the fund investment which means that investors are less directly exposed to rises and falls in the value of their investment over the shorter-term. As a result, pooling and smoothing techniques are available as an alternative and a less risky way for savers to access certain types of investments while benefiting from the certainty of long-term average returns. For these techniques to bring their expected benefits (combining the best of both worlds ie. safety and performance), it is important to maintain a rather flexible framework with requirements and details limited to those areas necessary (such as transparency on allocation mechanism) and to not create unnecessary constraints on how P&S can be implemented by companies. For instance, it is important that the segregation of PEPP assets does not lead to legal ring fencing. Eligible PEPP providers should be able to use their general account, at least for a certain period of time, to enable the launch of the PEPP product on the market and the	

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			accumulation of a certain mass establishing the "reserve". This is more viable than other options discussed by EIOPA such as providers offering a 10 years loan to PEPP savers. *Guarantees:* There is still some uncertainty in regard to the definition of guarantees in the PEPP level 1 Regulation. The reference to "guarantees against investment losses" as an example of eligible risk mitigation techniques (article 46(2)(c)) somehow enters in contradiction with general provisions on investment options for PEPP savers (article 42(3)) that distinguish between one and the other. In our opinion guarantees do not only "mitigate" investment risks, guarantees "transfer" the risk of loss away from savers. Having said that, we agree with the fact that on top of offering protection against investment risks, guarantees are also a powerful tool to nudge more risk adverse savers into saving for their pensions. We believe that EIOPA's suggested criteria would prevent guarantees to bring their expected benefits to the PEPP. Seeing the impact of inflation in relation to guaranteed PEPP only is not only inaccurate but also penalizing. Inflation has an impact on all pension benefits, regardless the type of product, the risk mitigation technique and the asset mix involved. As explained in question 3, guarantees cannot protect against inflation for a certain number of reasons. Shall EIOPA decide to pursue its intention to stress the impact of inflation on PEPP pension savings, it should be done by mean of a general warning alerting the saver, using layering tools to enable savers to seek further detailed information on what might impact the value of their final benefits. There are well-known concerns that Solvency II creates unnecessary barriers for insurers to provide products with long-term liabilities and to take investment risks with the assets backing these liabilities. This also includes the PEPP. Should Solvency II remain unchanged, in a PEPP context, this would have an impact on the performance and diversity of PEPPs on offer, and especially detrimental to guaranteed PEPP. PIU therefore supports a proper investigation by the EC and EIOPA, as part of the 2020 Solvency II review and PEPP-related discussions, of the mismatch between the current regulatory approach and how insurers are effectively exposed to risks relating to long-term products, so that it is feasible for providers to offer such products which ensure an appropriate level of safety for consumers but at the same time, meeting their long-term needs. Improved Solvency II requirements for long-term liabilities would help insurers to provide safe, long-term savings products, including PEPPs.	
315.	Polish Chamber of Insuranc e, Poland	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	Regarding the suggested cost indicator, we are not sure we fully understand EIOPA's suggested Reduction in Wealth (RiW) indicator. The draft advice, the impact assessment and the illustrative PEPP benefit statement mock-up do not provide enough information. In our oppinion, Reduction in Wealth (RiW) is not a suitable indicator for the following reasons: – RIW drastically increases with the length of the holding period making all retirement products look more expensive, even if they are very cost-efficient.	Agreed, this has been clarified.

No	Name	Reference	Comment	Processing
			– RiW prevents a fair comparison of PEPP as a PEPP purchased by younger consumers would always look more expensive than a PEPP acquired by more senior ones. – It will discourage savers from saving for their retirement. The suggested indicator is a new one, it has not been tested and has not undergone consumer testing. There is therefore no indication the information provided will be more useful to savers. PIU supports the following principles: – PEPP costs should not be disclosed in isolation: costs should be put into perspective with the service provided for savers to understand how the product matches their demands and needs ie. “value for money”. – Costs should also be presented in perspective with the projected performance, for savers to understand how costs impact the final benefits. – PEPP costs should be considered on an annual basis. We also note that for mortgages, European regulation requires customers to be given the interest rates as a standardized annualized rate in order to be able to compare products. This appears to be an identical approach than Reduction in Yield. Polish Chamber of Insurance believes that Reduction in Yield (RiY) is a robust, realistic and accurate cost indicator which could also be suitable to the PEPP because it takes into account the impact of i) cost structure, ii) cost timing, iii) product duration on the internal rate of return (yield). Furthermore, RiY works equally well for single and regular premium payments. These properties are particularly important to properly represent long term products and products with ongoing premiums, which we understand would correspond to the majority of PEPPs.	
316.	Polish Chamber of Insuranc e, Poland	Q9. Do you have any other general comments to the proposed approaches?	In relation to costs disclosures, the introduction of a harmonized taxonomy breaking down PEPP costs is a challenge, given the pan-European nature and the diversity of frameworks applicable to PEPP. Moreover, despite being explicitly requested by the Level 1 Regulation, such a detailed breakdown might be confusing and overload savers. Suggested definition of the costs of guarantees are particularly worrying: In the PEPP context, the only relevant and useful figure is the amount charged by the company to the customers for the guarantee. We note that under PRIIPs, the total amount charged to the customers including the guarantee are already fully transparent. Therefore, in the PEPP context there are no new charges, only a question to define how to split the total charges between those related to the guarantee and the rest. PIU oppose the suggested definition of the costs of guarantees on page 20 as corresponding to the full premium charged. The cost element of a guarantee is only one part of the explicit premium. This cost element corresponds to what a product manufacturer is gaining from providing the coverage, whereas the total premium corresponds that savers are effectively paying for the service. Similar discussions already took place in the context of PRIIPs, where it was acknowledged that biometric premiums are not a cost. Therefore, EIOPA suggested definition correspond to the “price of guarantees”. The reference to “opportunity” costs in relation to guarantees costs on page 32 of	Partially agreed, this is a requirement of the PEPP Regulation and the wording has been clarified.

No	Name	Reference	Comment	Processing
			the draft advice is wrong. Opportunity costs have nothing to do with what is charged to savers but correspond a posteriori to what could have been achieved when doing something differently eg. investing at higher rate and therefore is not related to a certain product feature such as a guarantee. In some cases, it may be straightforward to identify charges that companies make specifically for the guarantee. This could be the case for instance with third party guarantees. For some profit-sharing products with a guarantee. Guarantees are most of the time not a simple add-on but an inherent feature of the product. Any available methodology that we are aware of (Solvency II option value, PRIIPs fair value) has its own limitations and care should be taken to avoid artificial/indicative figures. Some methodologies could measure the theorical economic costs, which do not correspond to actual costs paid by savers. Therefore, the only feasible approach would be to require each PEPP provider to submit their proposed methodology to calculate the costs charged for the provision of a guarantee to the national competent authority as part of the PEPP registration process.	
317.	Polish Chamber of Insuranc e, Poland	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	PIU is in favour of digitalisation, which in general, is a powerful tool to improve accessibility to pension savings and increase readability of pension information. Therefore, it can help fostering broader coverage of private pension savings, increasing outreach to different cohorts of the population including the youngest one. Digital information may allow savers to streamline their decision-making process because they would be able to easily identify relevant information e.g. with the help of visual icons, dropdown menus and tick-the-box approaches. Layering of information in particular, may also help streamlining the quantity of information a saver might need to process. PIU welcomes EIOPA's suggested approach to highlight in the first layer the PEPP key features, as well as the benefits entailed by long-term investments and protective features (eg. guarantees and biometric coverage). A recent pension survey conducted by Insurance Europe together with 10 insurance associations revealed that guarantees are deemed the most relevant piece of information both at pre-contractual stage (61% of respondents) and during the contract (54% of respondents). We believe it is important to stress protection offered, especially in terms of insurance cover, but also and most importantly the practical consequences that might arise when not benefiting from such features using warnings on possible exposure to financial, longevity, mortality, morbidity and currency exchange risk. Finally, for digital information to bring its expected benefits, there is a need to ensure legal certainty establishing the extent of providers' liabilities when providing information in different layers. Clear indication as to whether PEPP providers are liable for certain/all layers is needed, to avoid legal uncertainty and litigation to arise on the ground that a saver has not effectively received certain information, which was made available in the second of third layer. Therefore, PIU recommends EIOPA proceeding as follows: EIOPA could specify in a comprehensive and exhaustive way what should be in the first layer. EIOPA could specify the minimum information to be disclosed as part of the second and third layers, leaving the flexibility for providers to possible provide additional information. EIOPA to clarify that providers are only liable for what is explicitly required.	Agreed.

No	Name	Reference	Comment	Processing
			Online distribution of PEPP is possible, and already a standard practice in several European markets depending on local rules and customs. However, online distribution of PEPP will indeed need to consider the mandatory duty of advice applicable to the Basic PEPP as required by the PEPP regulation.	
318.	French Insurance Association (FFA)	Preliminary comments	The French insurance association (FFA) is particularly concerned that the very short timing foreseen to develop the PEPP level II technical standards will prevent a smooth, transparent and efficient process. The wide range of issues to be dealt with by EIOPA requires substantial works as it touches upon many technical issues that are completely new at EU level e.g. risk mitigation techniques and pricing regulation. Beyond the PEPP itself, EIOPA's works could set an example, establish a reference, which could have an impact on national pension systems and related regulatory frameworks. We can already witness that new regulations currently taking place at national level, for instance in France, are operating under the light of PEPP developments. Compatibility of the PEPP implementing measures with these national regulations should be assessed and ensured by EIOPA and the European Commission. Against this background, we urge EIOPA to take the necessary time to deliver on this challenging task. It is indeed important that the development of the PEPP technical standards should be made in one go to avoid confusion to consumers and minimise legal uncertainty and compliance costs for providers. PEPP contracts tend to be very long-term contracts. Unclear provisions that are not tested properly would expose providers to a very high level of legal risks during the whole contract period and even beyond. We also regret that EIOPA public consultation and consumer testing exercise are taking place in parallel. It would have been preferable for the consultation paper to consider the results of the testing and be provided with more finalized mock-ups for us to provide meaningful and helpful comments. Furthermore, we would highly recommend always having a 2-steps consumer testing process. Having a first round of testing would allow to fix preliminary proposals based on the feedback received. Then, having a second round of testing would ensure that the new proposals have addressed the shortcomings previously identified and are effectively providing consumers with relevant information. For EIOPA to meet the deadline set by the level I Regulation (15 august 2020), it would have to submit its technical advice to the Board of Supervisors' approval in the end of June. Therefore, there would be less than 4 months between the end of this public consultation and this internal deadline. Based on the current state of EIOPA's proposals, we consider this would not been enough for EIOPA to provide finalized, fully tested and substantiated proposals to the European Commission.	Noted.

No	Name	Reference	Comment	Processing
			Many crucial information is currently missing from the consultation papers. Therefore, stakeholders should be provided with another opportunity to comment on EIOPA's suggested proposals before being presented to the European Commission. Last but not least, we would always invite EIOPA to build on existing national well-functioning solutions, rather than overengineering this process and introducing new conceptual and complex ideas whose merits are yet to be proven.	
319.	French Insurance Association (FFA)	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	We believe this is a useful approach to provide ideas to market practitioners but also to ensure that disclosures requirements are workable in practice. It is very important to work on an "end user-friendly basis" to ensure that complex financial information is translated in lay-man's terms and therefore made accessible to all types of investors. However, we believe that these illustrative mock-ups still require further works. It is crucial that the presented mock-ups undergo consumer testing to ensure they effectively bring expected benefits to PEPP prospective savers and members. Moreover, these mock-ups are not addressing the issue of information overload and burden. Information should focus on quality rather than quantity. Receiving too much information could in fact result in savers not saving for their retirement and/or not making the choices that would best address their demands and needs. Against this background, the following elements deserve attention. Duplication of information should be avoided. For instance, in the PEPP KID mock-ups, the section "what is the product?" information on portability and on sub-accounts is redundant. In the PEPP KID mock-ups information as to whether it is a basic PEPP is disclosed on 2 occasions: 1) in the general heading "product type" and 2) in the "what is the product?" section 1, "guarantee/risk mitigation techniques" sub-section 3. In the PEPP Benefit Statement mock-up, information in relation to costs would be disclosed on 3 occasions, first in the current balance section 1, then in the breakdown of costs and last in the Reduction in Wealth indicator in section 3. Gold plating of PEPP requirements should be avoided and carefully weighted in relation to the added value it brings to consumers. For instance, EIOPA's suggested approach to the disclosure of performance should be inspired by the existing information requirement at national levels. As a recent and relevant example working in practice in France, the PACTE law requirements introduce minimum precontractual information for retirement saving products (PER). This information specifies in particular: (1) the performance of the asset over the last financial year closed, gross of management costs – expressed as a percentage;	Agreed.

No	Name	Reference	Comment	Processing
			(2) the management costs taken from the assets during the last financial year closed – expressed as a percentage; (3) the performance of the asset during the last financial year closed, net of the management costs mentioned in (2) – expressed as a percentage; (4) the recurring costs deducted from the PER – expressed as a percentage; (5) the final performance of the investment for the contract holder during the last financial year closed, net of management costs and recurring costs mentioned in (2) and (4) – expressed as a percentage; (6) the portion of costs that gave rise to commission retrocessions for the benefit of distributors and managers during the last financial year closed. The PEPP Regulation requires the 10 years past performance to be disclosed in the KID and the benefit statement. Adding the 5,3 and 1 past performance –despite this data being available - would just overload and be misleading considering that pension products are generally held for a longer period than those suggested. The cumulative impact of legislations should also be duly considered in order to avoid information overload and burden. The different pieces of legislation which are applicable to the PEPP (with the PACTE law in France), their distribution and providers will most likely result in inconsistencies, overlaps and duplication. We believe that an insurance broker selling a sustainable PEPP online would have to disclose more than 150 pieces of information at precontractual stage (depending on how the PEPP regime can be implemented at national level and how it is interpreted by consumers). The disclosure of two performance tables in PEPP information documents (benefit projections and past 10 years) despite being required by the Level I Regulation would not help consumers understand the product. In contrast, it will result in overloading consumers with further information. Such an overload of figures, obtained through different methodologies (past performance is anchored in actual historical data, while future scenarios show the range of possible outcomes), would only confuse consumers, and not simplify their choice. Against this background, digital information can be a useful tool to streamline the quantity of information received as it allows the saver to identify and focus on relevant information only e.g. with the help of visual icons, dropdown menus and tick-the-box approaches. Layering of information in particular, may also help streamlining the quantity of information a saver might need to process. Several elements presented in the illustrative mock-ups require further clarification.	

No	Name	Reference	Comment	Processing
			It is sometimes not at all straightforward to reconcile EIOPA's suggested approach as detailed in its draft advice/impact assessment with the illustrative mock-ups. For instance, the mock-ups do not reflect the strong stance EIOPA has in favour of digital layered information disclosure. Some of EIOPA's suggested approaches are not sufficiently substantiated and explained. For instance, there is no explanation in the draft technical advice and impact assessment to understand the different risk scales (1-4 risk, high/medium/low) suggested for the PEPP KIDs and the Reduction in Wealth cost indicator suggested for the PEPP Benefit Statement. The presentation of the risk indicator in the PEPP KID example A is not clear either. Does it measure how likely or unlikely a particular PEPP will be to meet its objectives? i.e. does category 1 correspond to the lower or the higher risk? Suggested language for various narrative is not always accessible to average savers. Also, technical concepts such as biometric coverage, ESG factors (beyond sustainability), sub-accounts and risk mitigation techniques will require further explanations or alternative wording. In the PEPP KID "what is the product section?" suggested narratives, there seems to be a confusion between rules applicable to early redemption and switching. ▪ 5 years minimum holding period applies to switching. ▪ Switching costs are limited to actual costs and capped to 0.5% of current balance. ▪ Early withdrawal is often limited at national level to hardship situations. In the PEPP KID "what is the product section?" information on retirement benefits should distinguish "fixed-term" annuities from "life-long" annuities as different categories. We see limited room in the PEPP Benefit Statement mock-up to embrace the possibility that a PEPP could have several sub-accounts with different contribution levels, different taxation, different costs resulting from providers (i.e. in case of partnerships). This aspect needs to consider benefit possibly entailed by layering of information. The use of QR codes also triggers practical questions. The management of the PEPP KID database could prove a challenge as these will be revised on a regular basis. Monetary disclosures are difficult to implement in a meaningful way most of all when dealing with a standardized pre-contractual information document for a pan-European product i.e. the assumptions used in	

No	Name	Reference	Comment	Processing
			the KID mock-ups (e.g. 10k€ accumulated capital, 100 € monthly contributions) are not relatable in several EU countries depending on income levels, savings capacity and currency. In the PEPP KID mock-ups, the way costs are being disclosed in % terms is confusing and misleading. 95 euros recurring costs translate in 0.95%. Therefore, % costs disclosure consider only the contribution (10.000 €) but not the projected performance (e.g. 92600€, 59000€ and 39600€ in example B). As a matter of principle, we strongly believe that costs should not be disclosed in isolation but should always be put into perspective with service provided and projected performance to ensure savers understand what they get from what they pay and how much it impacts the final benefits.	
320.	French Insurance Association (FFA)	Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner?	**General comments on introducing a holistic approach specific to the PEPP** The insurance industry supports considering risk, reward, performance and risk mitigations in a holistic manner. A holistic approach to risk, reward and performance can be achieved with the introduction of a forward-looking stochastic economic model paired with quantitative % criteria. A PRIIPs-like approach would not be the right approach as it would not be able to capture the effect of guarantees and risk mitigation techniques. ▪ The PRIIPs deterministic synthetic risk indicator based on market risk and credit risk would not provide the appropriate information for PEPP customers. ▪ The PRIIPs' risk approach would also not be suited to the PEPP, as the underlying methodology is anchored in recent historical data, extrapolating the past 5 years performance to project the future expected benefits. Despite welcoming EIOPA suggested deviations from the PRIIPs framework, in order to embrace the PEPP specificities, we believe that there are still too many elements missing from the draft technical advice, the impact assessment and to mock-ups. Against this background, we urge EIOPA to take the necessary time to further investigate the topic before finalizing its technical advice to the EC. Finally, it is of the utmost importance that the evaluation of PEPP risk and reward is balanced. EIOPA's proposals seem to indicate that high rewards are possible without risks. However, practice shows otherwise meaning that risks usually trigger rewards. Bearing in mind that PEPP requires capital protection, this will have an impact on risks and therefore on rewards.	Agreed.

No	Name	Reference	Comment	Processing
			Specific comments on risk measurement The FFA is extremely concerned that EIOPA's proposals require to assess risks at individual level, based on subjective objectives and personal circumstances (page 13: "the main risk of pension product is the risk of not reaching the individuals' retirement objective"). It is indeed unclear how EIOPA's proposals to "link the riskiness of the investment option to the relative deviation of the projected pension projection from the best estimate" (page 15) could work in practice. The objectives pursued by a saver when purchasing a PEPP will vary greatly. Depending on local and personal circumstances, a PEPP might be purchased either to build up the main source of income in retirement or could more simply be used to top-up other sources of income. Many other factors will also impact individual expectations (standards of living, remaining duration…). Likewise, we really wonder how it could be possible to factor in individual expectations when disclosing PEPP risks in a standardized precontractual information requirement and we would invite EIOPA reconsidering the suggested heading in the PEPP KID mock-ups "how likely it is that I will reach my retirement objective?". If different PEPP savers aim different retirement objectives, there is a risk that the same or very similar PEPP products would score differently. Moreover, consumers will not be able to compare different products unless the risk is uniquely measured against the same benchmark. Also, EIOPA suggested proposal on page 14 is a perfect example of what "over-engineering" is and how it could lead to very few people – if any - being able to understand PEPP risks ("For the quantification of the risk measure the standard deviation from the mean (best estimate) expected outcome per decumulation option available (PEPP KID) or decumulation option chosen (PEPP Benefit Statement) together with the probability of reaching returns in line with the ultimate forward rate is suggested to be used"). We believe it is the role of advice - not the one of risk measurement and information disclosure - to assess and ensure that a contemplated PEPP effectively matches the personal and individual circumstances. On the contrary, risk assessment must remain objective meaning that it should measure possible risk of losses considering the following elements: ▪ the PEPP general objectives as set by the Regulation (i.e. nominal capital protection only at the end of the accumulation phase),	Agreed, the requirements have been amended and clarified.

No	Name	Reference	Comment	Processing
			▪ the market risk of underlying assets, ▪ the risk mitigating effect of the investment strategy. **<u>Specific comment on risk indicator</u>** When it comes to the suggested risk classification, we understand from the mock-ups that there would be 4 categories of risks. However, the consultation paper does not provide enough information and the following crucial information is missing: ▪ It should be clarified against which objective the PEPP risk is being measured. We strongly encourage to follow the letter of the Regulation and not to consider individual objectives. ▪ The presentation of risks should also be clarified. Does it measure how likely or unlikely the PEPP will be to meet its objectives? i.e. does category 1 correspond to the lower or the higher risk? ▪ What is the rationale behind having only 3 or 4 risk categories? We see the point of not having the same number than in PRIIPs to avoid wrong comparisons but, the number of categories and the choice between an odd or even number of categories should consider the results of the consumer testing. ▪ Would the level of risk be derived from the stochastic modelling? Clarity on the methodology used to quantify risks is necessary in order to be able to comment on the presentation of these risks. However, we have not been provided with the parameters of the economic model neither in the draft advice nor the impact assessment. ▪ If so, what would be criteria applicable to each category? What would be the percentage value for each risk categories? It is important that the protection entailed by guarantees is duly reflected in the risk scale and that only a guaranteed Basic PEPP could be eligible to category 1/low. **<u>Specific comments on performance/benefit projections</u>** FFA recommends that EIOPA uses a stochastic economic model to generate the investment return assumptions that will be used by all companies. EIOPA's suggested approach is confusing as it suggests different options/elements (LTRFR, inflation, wages), without specifying whether they should be considered all together or just some of them at specific times. Given the confusing nature of the consultation, it is difficult to provide specific and detailed comments. However, we can share the following preliminary concerns/observations:	

No	Name	Reference	Comment	Processing
			▪ There is a strong concern that EIOPA is creating a complicated and confusing systems for providers, distributors and customers. ▪ It is confusing how EIOPA refers to and appears to be considering using the UFR. The UFR is a calibration element used for generating solvency II risk-free rate curves. It should not be used directly to generate assumptions for performance/benefits projections. ▪ Inflation cannot be forecasted by providers. Inflation is the result of a complex set of factors and is considered differently by each country. Although there is a target set by central banks in some countries, in practice the actual rate of inflation is different from that target. Therefore, using inflation to generate either assumptions for projections or benchmark is also problematic. Finally, it should be noted that inflation is not a product-specific feature. Now an impression might arise that it is only relevant for guaranteed products. ▪ Wage inflation is similarly difficult to forecast in any accurate way and in trying to include an assumption could easily confuse customers more than benefitting them. ▪ The more elements are to be included in the projections, the more volatile these projections can be and the more difficult to explain and understand. FFA would recommend EIOPA using the stochastic economic model to project PEPP benefits/performance and using adequate warnings alerting savers that several (national) factors could impact the value of their future benefits e.g. different types of inflation, taxation, evolution of wages (…) Savers could be provided with more educational information (explanation, links and available short-term projections) in a secondary layer of information, should they wish to seek further information. We welcome EIOPA's suggestion to include a third favourable scenario, to add nuance and balance in performance related disclosures. In addition, we support adding a specific warning helping savers to understand the benefits of products offering a guarantee as their added value could not always be captured by performance scenarios. The solution investigated in the context of the ongoing PRIIPs review, the "minimum guaranteed scenario", could be a valid option to consider for the PEPP.	
321.	French Insurance Association (FFA)	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	No, FFA urges EIOPA to stick to the objectives set by the PEPP Regulation. Indeed, the PEPP Regulation requires that all investment options must ensure "sufficient protection for the PEPP saver" (article 42(3)). The Basic PEPP should allow saver "to recoup the capital invested" (article 45(1)) meaning the "aggregate capital contributions after deduction of all fees, charges and expenses that are directly or indirectly border by the savers" (article 2(24)). This capital protection is due at the end of the accumulation phase (article 55). PEPP risk mitigation techniques should ensure that the investment strategy is designed to "build up a stable and adequate individual future retirement income" (article 46(1).	Partially agreed, please see the response to comment number 11.

No	Name	Reference	Comment	Processing
			Against this background, EIOPA's suggested objectives as detailed in page 13 of the draft technical advice go beyond the letter of the PEPP Regulation. To quantify the PEPP investment options' riskiness and performance, EIOPA suggests 3 investment objectives which are either not feasible nor suitable in a PEPP context: ▪ EIOPA suggests that accumulated savings should be protected against inflation. This would be extremely challenging — if not impossible — considering inflation's fluctuant nature and the fact that it is not known at the time when the guarantee is issued. Such commitment would result in an unquantifiable promise, most likely not authorised by national supervisory authorities and way too burdensome from a prudential point of view. Otherwise, it would require to exclusively invest in inflation indexed bonds, which are not widely available in Europe and would defeat the investment diversification policy agenda. Moreover, it does not consider the fact that in most EU countries, inflation is higher than maximum guaranteed interest rates set at national level. ▪ EIOPA also suggests that PEPP investment strategies should at least reach the Long-Term risk-free rate. It is not clear why this is a particularly relevant pension savings target and is unlikely to be a concept easily understandable by savers. ▪ Finally, limiting dispersion of future PEPP benefits cannot not be a PEPP investment objective as it would lead to the subjective assessment of PEPP riskiness based on individual expectations. Furthermore, it is not compatible with the general objective set by the PEPP Regulation i.e. to recoup the capital invested. The stochastic economic model should measure the risk of loss i.e. what are the chances that an investment strategy will not meet the objectives set by the PEPP Regulation (i.e. nominal capital protection only).	
322.	French Insuranc e Associati on (FFA)	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the	FFA agrees that the assumptions should be somehow standardized at EU level. However, it is not clear whether EIOPA is the most appropriate entity to do so. Therefore, we recommend EIOPA to investigate the benefits of a forward-looking stochastic economic model applicable to all risk mitigation techniques. A stochastic economic model assessing the risk mitigating effect of different investment techniques by measuring the probability to meet the objective set by the PEPP regulation – i.e. the risk of losing the capital invested – could be suited to measuring PEPP risks in a consistent manner given its expected diversity. We believe that the establishment of a stochastic economic model for the PEPP could not only ensure consistency but also:	Partially agreed, please see the response to comment number 11.

No	Name	Reference	Comment	Processing
		key assumptions and inputs used for the necessary stochastic modelling?	▪ Measure the probability that the PEPP will meet its objective i.e. nominal capital protection. ▪ Allow the establishment of minimum thresholds to satisfy to identify if a risk mitigation strategy is safe enough to be sold to the public with the Basic PEPP quality label. ▪ Derive risk indicators and performance projections to fulfil information disclosures requirements. ▪ Avoid the need for detailed rules on each risk mitigation techniques and so allow innovation on financial markets while ensuring the Basic PEPP is safe. There are proofs of concept supporting the relevance of stochastic economic model approach among several European member states. The OECD is also currently investing the potential of stochastic economic model applicable to life-cycling strategies as part of the ongoing update of its Roadmap for the Good Design of DC Pension Plans. We believe that national authorities might have a role to play as the most likely to be using the results of the model at national level as a basis to assess PEPP registrations. Indeed, it is vital that the stochastic economic model is appropriately calibrated and uses an appropriate range of data. ▪ Recent PRIIPs experience has shown that using only the past 5 years historical data has proven suboptimal to project reliable information on future benefits/performance. ▪ The OECD recent study considers two different data sets to illustrate how the stochastic model would assess probability of getting back capital invested: historical returns (1969-2018) and low returns (1999-2018). Illustrations of the proposed stochastic model have shown very different outcomes depending on which data are being used. ▪ Therefore, it would be so important to have independent experts involved making calibration decisions, based on the appropriate data and the national markets.	
323.	French Insurance Association (FFA)	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	FFA supports one harmonised set of relevant information on PEPP products, in order to be able to build the relevant indicators that support effective and efficient supervisory review processes. The cooperation and the exchange of information between national competent authorities (NCAs) is important for the different authorities to carry out their duties. Particular attention should be paid to the compatibility of the exchanged information with the information requirements already defined or implemented in some member states.	Agreed.

No	Name	Reference	Comment	Processing
324.	French Insurance Association (FFA)	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	During the PEPP interinstitutional discussions, the insurance industry has warned against the detrimental impact that a fee cap would have on the PEPP. Overly restrictive requirements risk weakening the PEPP's objectives for basic products supposed to meet the demand of most of savers. We agree that the guarantee is a distinct feature and should be excluded. A way should be found to exclude the cost of advice, because without this the PEPP is unlikely to be viable. The 1% cost cap should consider average yearly costs. **<u>General comments</u>** During the PEPP interinstitutional discussions, the insurance industry has warned against the detrimental impact that a fee cap would have on the PEPP. While supporting the goal of cost efficiency, we believe that pricing regulations would prove a real challenge to implement in practice for the following reasons: ▪ A 1% fee cap will challenge the launch of PEPP, given its voluntary nature and expected limited scale. ▪ A 1% fee cap will limit the diversity of PEPP providers and products/features on offer. ▪ A 1% fee cap will be particularly detrimental to smaller-sized providers as they might not benefit from an existing scale and/or infrastructure as a basis to launch PEPPs. ▪ A 1% fee cap risks compromising the expected high quality PEPP standards. ▪ A strict all-inclusive fee cap would also be challenging given the many new features and requirements introduced with the PEPP (mandatory advice on 3 occasions, design and administration of at least 2 sub-accounts, recurring switching, creation of risk mitigation techniques, detailed information disclosures at various stages…). ▪ PEPP manufacturers and distributors will need to adapt to the national regulatory requirements already in place and develop their services from scratch and the corresponding level of fees cannot be fully anticipated at this stage of the PEPP process. ▪ A strict annual fee cap does not consider the fact that costs tend to decrease over time. On the contrary, transparency of costs has proven to be a useful tool to enable savers when making an informed choice but also to boost competition and ultimately drive costs down for providers to stay competitive in the savings landscape. Acknowledging the political agreement, we believe that **the scope of the fee cap should carefully consider the following cost items and principles.** **<u>Guarantee costs</u>** First and foremost, our members don't agree the suggested definition of guarantees costs.	Partially agreed, please see the response to comment number 11.

No	Name	Reference	Comment	Processing
			FFA supports the exclusion of the guarantee from the fee cap requirement. Guarantees are not a cost but a distinct sectorial feature which is different in nature in comparison with other risk mitigation techniques. If both “life-cycling” and “pooling and smoothing” leave the risks with the customers (either with customers on an aggregate mutualized basis or with customers individually), a guarantee transfers risks away from the customer to the (insurance) company. The amounts charged for guarantees are also different and go beyond the costs implied by other risk mitigation techniques. Insurers providing guarantees will have all the same type of costs as they are providing life-cycling or pooling and smoothing, fund management, asset liability management and transaction costs resulting from the need to buy and sell individual assets and to re-balance the portfolios over time. At this stage, it is essential to pay a particular attention to ensure a fair treatment between the different PEPP providers with different sectoral prudential rules. It is very important to pay attention to fair treatment between the different PEPP providers with totally different sectoral prudential rules in order to ensure the conditions of a European regulation with a level playing field for all PEPP providers. They will also have additional costs and constraints created by the requirements set by Solvency II (valuation of liabilities and solvency capital requirements). The different nature of guarantees was acknowledged by EU policymakers during the PEPP negotiation and highlighted in the following provisions: ▪ Recital 55: “In drawing up the draft regulatory technical standards, EIOPA should, in particular, consider the long-term nature of the PEPP, the different types of PEPPs and the cost-relevant factors linked to their *specific features,* so as to ensure a fair and equal treatment of the different PEPP providers and their products while taking into account the character of the Basic PEPP” (…) “Within that framework, in order to ensure that *PEPP providers offering a capital guarantee benefit of a level playing field with other providers*, EIOPA should duly take into account the structure of costs and fees”. ▪ Article 45(3): “EIOPA shall also assess *the peculiar nature of the capital protection with specific regard to the capital guarantee*”	

No	Name	Reference	Comment	Processing
			<u>Advice costs</u> FFA supports the exclusion of the advice costs from the fee cap requirement. The preliminary feedback from our market participants indicates that it would be impossible to provide advice under a 1% yearly fee cap for several reasons: ▪ First, due to the definition of advice. Advice in the PEPP context does not mean guidance but implies a "personal recommendation" (article 2(31)) to be provided on 3 occasions: pre-contractual, pre-mobility and pre-retirement stages (articles 20, 34 and 60). The provision such high-quality/frequent advice will most likely involve human interaction which is a complicated and costly task as it requires to undertake a "know-your-customer" procedure, assessing the savers' demands and needs, assess risk appetite and tax eligibility, and explain the contract details and arrangements, among many other things. A too restrictive fee cap might risk lowering the quality of advice. ▪ Whilst robot/automated advice may appear as a cost effective solution in the future, this does not yet exist, may not exist for some time and when/if available may not be as low cost as some believe due to the costly investment needed to develop it and the need for tailoring to the PEPP optionality, members states' tax, social security. Moreover, it would require high investment costs to establish the necessary IT infrastructure. Another aspect to consider PEPP expected contributions. We would assume that small and regular amounts will be saved in a PEPP, at least initially and depending on tax incentives granted to the PEPP. It will therefore be extremely difficult, if not impossible, for providers to develop a viable business model on such limited scale. **<u>Time horizon of the fee cap</u>** FFA urges for the fee cap to consider "average yearly costs" for the following reasons: ▪ It would ease the fee cap requirement, which as it stands would most likely jeopardize the PEPP uptake. ▪ It would allow to consider costs over the lifetime of the product, irrespective of the timing of the costs. ▪ It would be suitable to all products with different costs structures, different timing and therefore embracing the expected PEPP diversity. ▪ It would reflect the standard costs glidepath i.e. the fact that costs tend to decrease over the lifetime of a product and therefore allow to mitigate higher costs at the beginning of the accumulation phase.	

No	Name	Reference	Comment	Processing
			A strict yearly fee cap would prove a real challenge and be detrimental to the PEPP take-up. For instance, referring to the assumptions used in the mock-ups, a strict interpretation of the yearly fee cap would be detrimental to PEPP with ongoing premiums, which we understand would probably be the most common variant of PEPP: ▪ For PEPP with 100 € monthly contributions, providers would be allowed to charge maximum 12 € for the first year, and about 24 € for the second year (and so on…) ▪ For PEPP with a 10000 € single contribution, providers would be allowed to charge maximum 100 € in the first year. The figures used in the mock-ups also illustrate the limits of a strict annual fee cap. The suggested one-off entry costs disclosed for in the PEPP KID mock-ups (administrative and distribution costs in the first year amounting 75 €) would already exceed by far the 12.50 € allowed in the first year for PEPP with a 100 € monthly contribution. Finally, an "average yearly cost" approach is also in line with the objective displayed in the PEPP Regulation, i.e. "to ensure a level playing field" and "equal treatment" between different PEPP providers and different types of PEPP "with their particular cost and fee structure" (Recital 55).	
325.	French Insurance Association (FFA)	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	FFA recommends introducing a uniform high-level principle-based approach for all types of risk mitigation techniques, combined with a holistic stochastic model and eligibility criteria to ensure consumers' interest are well protected. A principle-based approach would reflect the fact that the PEPP level I Regulation only provides for a non-exhaustive list of Risk Mitigation Techniques leaving the place to innovation and new investment techniques to mitigate PEPP investment risks. There is a need to ensure a level playing field with other types of risk mitigation techniques. As it stands, EIOPA's approach to smoothing and pooling (additional disclosures, segregation of assets and equity loan) as well as to guarantees (additional inflation-related disclosures) appears to be much more penalizing than the one for life-cycling strategies. Also, the eligibility of Risk Mitigation Techniques should be measured against the objective set by the Regulation i.e. nominal capital protection. **Life-cycling strategies**	Partially agreed, the requirements enable a consistent application of – and measurement of the effectiveness – risk-mitigation techniques.

No	Name	Reference	Comment	Processing
			Introducing excessively restrictive requirements to frame the life cycling techniques could challenge innovation on financial markets and defeat their added value (i.e. flexibility) and therefore decrease attractiveness of life-cycling to PEPP savers and providers alike. However, some safeguards are needed to ensure that these life-cycling strategies meet the objective set by the PEPP Regulation i.e. allow the PEPP saver to recoup its capital. This is where an economic stochastic model together with threshold conditioning eligibility might be helpful. The possibility to extend the last phase of the life cycle beyond the expected end of the accumulation period should not be introduced as a risk mitigation technique. Such 5 years buffer does not mitigate investment risks and does not shift risk away from the savers. On the contrary, it increases the burden weighing on individual savers, as they will untimely be the one deciding to postpone the pay-out. It is in contradiction with the existing national regulation requirements for retirement products and also not in line with the Level 1 Regulation that explicitly requires providing capital protection at retirement (article 55), not 5 years later. Moreover, this corresponds to conditions in relation to the decumulation phase, which are left at the discretion of members states (article 57). Finally, this option would not be consistently available as it is conditioned to a large extent to national tax, social and labour laws. **<u>Establishing reserves / pooling and smoothing</u>** The “pooling” of individual assets in a collective fund allows providers to benefit from a larger scale, to increase their exposure to a wider range of assets classes, and to benefit from greater diversification. The “smoothing” of returns aim to reduce the direct impact of market changes on the fund investment which means that investors are less directly exposed to rises and falls in the value of their investment over the shorter-term. As a result, pooling and smoothing techniques are available in some countries as an alternative and a less risky way for savers to access certain types of investments while benefiting from the certainty of long-term average returns. For these techniques to bring their expected benefits (combining the best of both worlds i.e. safety and performance), it is important to maintain a rather flexible framework with requirements and details limited to those areas necessary (such as transparency on allocation mechanism) and to not create unnecessary constraints on how P&S can be implemented by companies.	

No	Name	Reference	Comment	Processing
			It is important that the segregation of PEPP assets does not lead to legal ring fencing. Eligible PEPP providers should be able to use their general account as it is the case in France, at least for a certain transitional period, to enable the launch of the PEPP product on the market and the accumulation of a certain mass establishing the “reserve”. This may be more attractive and viable than other options discussed by EIOPA such as providers offering a 10 years loan to PEPP savers. **<u>Guarantees</u>** There is still some uncertainty regarding the definition of guarantees in the PEPP level 1 Regulation. The reference to “guarantees against investment losses” as an example of eligible risk mitigation techniques (article 46(2)(c)) somehow enters in contradiction with general provisions on investment options for PEPP savers (article 42(3)) that distinguish between one and the other. In our opinion guarantees do not only “mitigate” investment risks, guarantees “transfer” the risk of loss away from savers. We agree that on top of offering protection against investment risks, guarantees are also a powerful tool to nudge more risk adverse savers into saving for their pensions. Insurance Europe has recently run a survey interviewing over 10000 people in 10 European countries. Results have clearly demonstrated that guarantees are highly valued in a pension savings context on repeated occasions: ▪ When asked about their priorities when saving for retirement, by far the highest priority was the security of the money invested (60% in Europe, 63% in France). ▪ When saving for retirement, survey respondents overwhelmingly (73% in Europe, 78% in France) chose investment safety over performance. ▪ The information that respondents were most interested in was about guarantees, both before signing a contract (64% in Europe, 69% in France) and once the contract is in force (51% in Europe, 59% in France). We believe that EIOPA’s suggested criteria would prevent guarantees to bring their expected benefits to the PEPP. Seeing the impact of inflation in relation to guaranteed PEPP only is not only inaccurate but also penalizing. Inflation has an impact on all pension benefits, regardless the risk mitigation technique and the asset mix. Guarantees cannot protect against inflation for a certain number of reasons. Shall EIOPA decide to pursue its intention to stress the impact of inflation on PEPP pension savings, it should be done by mean of a general	

No	Name	Reference	Comment	Processing
			warning alerting the saver, using layering tools to enable savers to seek further detailed information on what might impact the value of their final benefits. In addition, inflation policy is defined at national level and could be different across Europe. Last but not least, there are well-known concerns that Solvency II creates unnecessary barriers for insurers to provide products with long-term liabilities and to take investment risks with the assets backing these liabilities. This also includes the PEPP. Should Solvency II remain unchanged? in a PEPP context, this would have a negative impact with unlevel playing field with other providers on the performance and diversity of PEPPs on offer for insurers, and especially detrimental to guaranteed PEPP. FFA therefore advocates for a proper investigation by the EC and EIOPA — as part of the 2020 Solvency II review and PEPP-related discussions — of the mismatch between the current regulatory approach and how insurers are effectively exposed to risks relating to long-term products, so that it is feasible for providers to offer such products which ensure an appropriate level of safety for consumers but at the same time, meeting their long-term needs. Improved Solvency II requirements for long-term liabilities would help insurers to provide safe, long-term savings products, including PEPPs. **<u>% quantitative criteria to be satisfied</u>** EIOPA suggests establishing % quantitative thresholds that investment strategies must satisfy to be eligible to the PEPP. To be eligible to the Basic PEPP, we understand that the investment strategy must ensure, considering the results of the stochastic modelling, a 99% probability that the capital invested will be recouped. This probability is lowered to 95% for the alternative investment options and when the PEPP duration is lower than 10 years. ▪ First and foremost, it would have been preferable to be provided with information on the stochastic economic model itself before being asked to comment on the numbers that will be derived from it. ▪ Also, discussions on the feasibility of these % thresholds are confused by EIOPA's proposals to gold plate the level 1 objectives for example by including inflation. The Regulation defines that PEPP should ensure capital protection, not the performance which linked to investment strategy and to market conditions. EIOPA is proposing to deviate from this and it shouldn't. ▪ Another concern derives from the fact that EIOPA suggested % thresholds are to be met during the accumulation phase (page 32 article xa(3)). Such requirement would be another deviation from the political agreement enacting that PEPP capital protection objective should be met at the end of the accumulation only (article 55). ▪ We are not sure what would be the merits of lowering the probability threshold when a PEPP has a duration period shorter than 10 years. It would be confusing that savers are entitled different levels of	

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			protection when purchasing the exact same PEPP depending on the timing. Plus, we imagine that there will be age restrictions preventing a PEPP to be purchased too soon to retirement. ▪ We also wonder which % threshold will apply to hybrid products. It is indeed quite likely that a same PEPP could combine different risk mitigation techniques e.g. partial guarantees, collective guarantees… ▪ Provided that all of the above concerns are addressed, then it will be possible to assess whether the 99 or 95 percentage values could potentially be considered a reasonable interpretation of what ensures "capital protection".	
326.	French Insurance Association (FFA)	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	Regarding the suggested cost indicator, we are not sure we fully understand EIOPA's suggested Reduction in Wealth (RiW) indicator. The draft advice, the impact assessment and the illustrative PEPP benefit statement mock-up do not provide enough information. At first glance, RiW does not seem suitable to the PEPP. The suggested indicator is a new one, it has not been tested and has not undergone consumer testing. There is therefore no indication the information provided will be more useful to savers. EIOPA refers to some criticism on RiY in its impact assessment. However, the arguments apply to an equal if not greater extent to RiW: ▪ "RiY approach technically requires assumptions – over holding periods and over returns" – Exactly the same holds true for RiW. Moreover, while RiY varies only moderately depending on the RHP (or not at all), RIW increases rapidly with longer RHP making all old-age provision products look very expensive. ▪ "2% lost yield over 40 years represents a significant impact of costs." In general, a cost indicator that comprises all costs into a single figure compresses information. To understand the impact of a reduction of the yield even better, consumers are provided with costs in monetary terms. This is a better solution than making every retirement product look very expensive as the RiW does. ▪ "RiY strongly depends on the duration of the accumulation phase" This effect is much stronger for RIW. Furthermore, the RHP of a PEPP is fixed, since the product is supposed to be held until retirement. In general, we support the following principles: ▪ PEPP costs should not be disclosed in isolation: costs should be put into perspective with the service provided for savers to understand how the product matches their demands and needs i.e. "value for	Partially agreed, please see the response to comment number 29.

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			money". Costs should also be presented in perspective with the projected performance, for savers to understand how costs impact the final benefits. ▪ PEPP costs should be considered on an annual basis. We also note that for mortgages, European regulation requires customers to be given the interest rates as a standardized annualized rate in order to be able to compare products. This appears to be an identical approach than reduction in Yield. As an alternative, Reduction in Yield (RiY) can be considered as realistic and accurate cost indicator to the PEPP because it takes into account the impact of i) cost structure, ii) cost timing, iii) product duration on the internal rate of return (yield). Furthermore, RiY works equally well for single and regular premium payments. These properties are particularly important to properly represent long term products and products with ongoing premiums, which we understand would correspond to the majority of PEPPs.	
327.	French Insurance Association (FFA)	Q9. Do you have any other general comments to the proposed approaches?	In relation to costs disclosures, the introduction of a harmonized taxonomy breaking down PEPP costs is a challenge, given the pan-European nature and the diversity of frameworks applicable to PEPP. Moreover, despite being explicitly requested by the Level 1 Regulation, such a detailed breakdown might be confusing and overload savers. Suggested definition of the costs of guarantees are particularly worrying: ▪ In the PEPP context, the only relevant and useful figure is the amount charged by the company to the customers for the guarantee. We note that under PRIIPs, the total amount charged to the customers including the guarantee are already fully transparent. Therefore, in the PEPP context there are no new charges, only a question to define how to split the total charges between those related to the guarantee and the rest. ▪ We strongly oppose the suggested definition of the costs of guarantees on page 20 as corresponding to the full premium charged. The cost element of a guarantee is only one part of the explicit premium. This cost element corresponds to what a product manufacturer is gaining from providing the coverage, whereas the total premium corresponds that savers are effectively paying for the service. Similar discussions already took place in the context of PRIIPs, where it was acknowledged that biometric premiums are not a cost. Therefore, EIOPA suggested definition correspond to the "price of guarantees". ▪ The reference to "opportunity" costs in relation to guarantees costs on page 32 of the draft advice is wrong. Opportunity costs have nothing to do with what is charged to savers but correspond a posteriori to what could have been achieved when doing something differently e.g. investing at higher rate and therefore is not related to a certain product feature such as a guarantee.	Partially agreed, please see the response to comment number 316.

No	Name	Reference	Comment	Processing
			▪ In some cases, it may be straightforward to identify charges that companies make specifically for the guarantee. This could be the case for instance with third party guarantees. For other products and in other markets, splitting the additional guarantee costs can be less straightforward. Guarantees are most of the time not a simple add-on but an inherent feature of the product. ▪ Any available methodology that we are aware of (Solvency II option value, PRIIPs fair value) has its own limitations and care should be taken to avoid artificial/indicative figures. Some methodologies could measure the theorical economic costs, which do not correspond to actual costs paid by savers. ▪ Therefore, the only feasible approach would be to require each PEPP providers to submit their proposed methodology to calculate the costs charged for the provision of a guarantee as part of the PEPP registration process.	
328.	French Insurance Association (FFA)	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	Digitalisation, in general, is a powerful tool to improve accessibility to pension savings and increase readability of pension information. Therefore, it can help fostering broader coverage of private pension savings, increasing outreach to different cohorts of the population including the youngest one. Insurance Europe has recently run a survey interviewing over 10000 people in 10 European countries. Results from the survey have clearly demonstrated that there is a clear appetite for digital disclosures in Europe. 67% of survey respondents (66% in France) preferred to receive information on pension products digitally rather than on paper. This preference is even higher younger survey participants (18-35 years old) amounting 70%. Digital information may allow savers to streamline their decision-making process because they would be able to easily identify relevant information e.g. with the help of visual icons, dropdown menus and tick-the-box approaches. Layering of information, may also help streamlining the quantity of information a saver might need to process. Having worked on a mock-up basis, we would welcome the opportunity to be provided with digital layered mock-ups at a second stage to illustrate how EIOPA's suggested approach would work out in practice. FFA welcomes EIOPA's suggested approach to highlight in the first layer the PEPP key features, as well as the benefits entailed by long-term investments and protective features (e.g. guarantees and biometric coverage). The recent pension survey conducted by Insurance Europe revealed that guarantees are deemed the most relevant piece of information both at pre-contractual stage (61% of respondents in Europe, 69% in France) and during the contract (54% of respondents in Europe, 59% in France). We believe it is important to stress protection offered but also and most importantly the practical consequences that might arise when not	Agreed.

No	Name	Reference	Comment	Processing
			benefiting from such features using warnings on possible exposure to financial, longevity, mortality, morbidity risks… Finally, for digital information to bring its expected benefits, there is a need to ensure legal certainty establishing the extent of providers' liabilities when providing information in different layers. Clear indication as to whether PEPP providers are liable for certain/all layers is needed, to avoid legal uncertainty and litigation to arise on the ground that a saver has not effectively received certain information, which was made available in the second of third layer. Therefore, we recommend EIOPA proceeding as follows: ▪ EIOPA could specify in a comprehensive and exhaustive way what should be in the first layer. ▪ EIOPA could specify the minimum information to be disclosed as part of the second and third layers, leaving the flexibility for providers to possible provide additional information. ▪ EIOPA to clarify that providers are only liable for what is explicitly required. Online distribution of PEPP is possible, and already a standard practice in several European markets depending on local rules and customs. However, online distribution of PEPP will indeed need to consider the mandatory duty of advice applicable to the Basic PEPP as required by the PEPP regulation.	
329.	AAE	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	The AAE fully supports the text in the blue box on page 7 i.e. *The PEPP KID and the PEPP Benefit Statement should provide relevant, simple and understandable information documents that engage consumers to actively plan their retirement savings. The proposals start from the presumption for the PEPP KID and PEPP Benefit Statement to become digital and to use layering of information. For an effective application, consumer and industry testing is particularly important.* *Attention needs to be paid to the presentation of risks and performance, which requires tailoring and innovative thinking to address the long-term, pension objective of the PEPP.* In particular, we recognise the need to have digital-friendly information, and to provide detailed information in separate webpages which are linked to the page setting out the most important information i.e. a "layering" approach. Of course, it should also be possible to access and print all of the information in a single pdf document. We are strongly supportive of consumer testing and industry testing to identify what is "understandable" and "deliverable"; these are more important than actuarial or technical perfection.	Agreed, the requirements have been further developed and specified.

No	Name	Reference	Comment	Processing
			As PEPP will be a long-term product, it is important to ensure that the approach adopted to the presentation of information recognises that long term investment strategy, outcomes and risks are more important than the short term. Whilst consistency with PRIIPs KID requirements (whether the existing ones or any new ones following the current review) would be beneficial, this is not in our view as important as consistency between the PEPP KID and the PEPP Benefit Statement (BS), although noting that the former is generic and the latter personal so there will still be difficulty for the consumer to compare them. It would also be desirable for PEPP BS to be consistent, where possible, with the Pensions Benefit Statement required under the IORP Directive, to enable consumers who have both an IORP benefit and a PEPP to add together the two projected outcomes, so as to get a fair view of their ultimate retirement income (in addition to first pillar pensions). Section 2.1 of the document sets out the layout/content of the KID and provides a draft Article xc (p11 et seq) which prescribes the issues to be covered in the KID under “what is this product?”. Given the objective to have a KID which can be accessed by mobile devices, there will have to be a compromise between standardisation of the key information and flexibility in how it is communicated, which will develop over time as technology advances. EIOPA provided two illustrative examples of KIDs with the consultation paper. We appreciate that these will be refined in the light of consumer testing but we note that as drafted they are not fully consistent with the requirements set out in the draft Article xc. In addition, we consider that some of the wording and the format in which some of the information is provided is likely to confuse consumers, although of course if this is the case it should emerge from the consumer testing exercise. Examples: Some of the terminology used is unclear and may not be meaningful to consumers e.g. in Example A In “What is this product?”: “This is an individual non-occupational pension product…” “Inflation is partially covered.” In “What are the risks and what could I get in return?”: “lower than the best estimate outcome” Also, as noted in the text, we would query the “risk indicator” in the table, the inclusion of possible exit penalties in the once-off costs table, the comparison of the past performance with a benchmark which we presume is a risk free rate, and the inclusion of this table under the heading “what could I get in return?”	
330.	AAE	Q2. Do you agree to approach the areas of risk/ rewards,	Yes	Noted.

No	Name	Reference	Comment	Processing
		performance and risk mitigation for the PEPP in a holistic manner?		
331.	AAE	Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension outcomes and to link it to objective of reaching at least the long-term risk-free interest rate?	The introductory paragraph of Section 2.2 of the document states that "*the main risk of a pension product is the risk of not reaching the individual's retirement objective*". We agree with this statement, but would point out that establishing appropriate and realisable retirement objectives for an individual is difficult, and is likely to be even more challenging if the product is sold without appropriate individual personal financial advice. EIOPA suggests a number of possible retirement objectives • To recoup the capital invested (less costs and charges) • To protect against inflation i.e. to recoup the capital invested plus inflationary growth • "*to reach a high probability of recouping the inflation-protected capital and to have a good chance to earning additional investment returns and stable future retirement income*" We presume that the consumer testing exercise will help to identify what retirement objective is favoured by consumers, although we would expect that an objective which promised (even if this "promise" fell short of a guarantee) downside protection plus adequate and stable retirement income would be well received. We would point out that in order to provide an adequate retirement income, it is necessary to pay an appropriate level of contributions; the investment strategy alone cannot deliver this. We note that EIOPA considers that a relevant benchmark for investment returns would be the Ultimate Forward Rate (UFR) used in Solvency II; this is derived annually and is intended to reflect a real (i.e. inflation adjusted) long term "risk-free" rate which is determined on a somewhat subjective basis. We do not agree that this would be an appropriate benchmark, as it is set in the distant future as one point in time value to which the risk-free rate is expected to converge over 50 years. It does not represent the risk-free investment return that is assumed to be earned each year. UFR is intended for a different purpose (i.e. determining technical provisions for insurers) and is subject to review in this context; it would be difficult to explain why a downward reassessment of the UFR for technical reasons led to PEPP holders receiving KIDs or BSs showing lower projected benefits. In addition, it is not possible for a provider to guarantee that the product will earn the UFR as this is not investable. Having identified the main risk as "retirement shortfall" (however defined), we support the need to inform the consumer of the merits (and potential downsides) of investing in real assets. We do not think that the	Agreed, the requirements have been further developed and clarified.

No	Name	Reference	Comment	Processing
			consumer should have to understand the concept of stochastic modelling to be able to understand the illustrated dispersion of returns. We strongly support EIOPA's proposal to require that 3 scenarios be shown i.e. including a "favourable" scenario as well as the "best estimate" and "unfavourable" required under the Regulation. As we noted in our March 2018 discussion paper, we do not think that "best estimate" is a meaningful term for consumers and may indeed be confused with "best possible outcome". We suggest using an alternative term such as the central, middle or median projection or scenario. We also have some reservations about the terms "good weather" and "bad weather" and how these might be illustrated. Again, consumer testing will be crucial to enable a method of presentation to be found which illustrates the trade-off between risk and reward, whilst making it clear to the consumer that unless there is a guarantee of a return of capital at retirement, it is possible (with a small probability, although consumers may not have a proper understanding of this concept) that he or she will lose money. In this context, the customer should be able to place reliance on the effectiveness of the risk-mitigation techniques (RMTs) underpinning the default/Basic PEPP to minimise this downside risk, which in turn places responsibility on national competent authorities, and EIOPA, to ensure that these RMTs are robust. We agree that stochastic modelling should be used to assess whether the proposed investment strategy is indeed risk-mitigating, although of course there is the additional risk that the stochastic modelling is subject to model and parameters errors. We appreciate that the Regulation requires that past performance figures be shown, although it is accepted that past performance is not a guide to the future. We are concerned that in the mock up, this information is shown under the heading "what could I get in return" which suggests that it is indeed a guide to the future. We suggest that past performance information should not be provided in the first layer of information. The illustration in the KID of past performance for lifecycle products, or those which provide for smoothing, will be particularly challenging. In any event, if PEPPs are new products, there will be no actual past performance and the figures provided will be based on back testing, which is not ideal and may not be meaningful. EIOPA proposes to compare the past performance figures with the UFR which we do not consider to be appropriate for the reasons outlined earlier in relation to using UFR as a benchmark. It may be that the intention is to use the risk-free rate, rather than the UFR, as the term over which past performance is measured is relatively short; our preference would be to use a benchmark relevant to the product design e.g. an equity index for a lifecycle product where there is a long term to maturity. We would also question the	

No	Name	Reference	Comment	Processing
			relevance of providing past performance figures for a 1 year and 3 year period for a long-term product; we note that the Regulation refers to "performance of a minimum of 10 years". EIOPA states that "*The summary risk indicator should link the riskiness of the investment option to the relative deviation of the projected pension projection from the best estimate result*". In our view, combining the investment risk and the shortfall risk into a single indicator is confusing and may not be understood by consumers. We consider that the risk indicator should focus on the long-term investment risk, and the illustration of the dispersion of the expected outcomes will illustrate the likelihood of a shortfall relative to the expected/desired retirement income. Moreover, the SRI has different meaning in the KID for PRIIPs, so using the same terminology is not advised, although we recognise that this term is used in the Regulation. We agree that it is desirable to use a different approach to risk indicators to the numerical scale in the PRIIPs KID in order to make it clear that the risk being measured is different. We have no strong views on how the risk indicator should be presented but would recommend that the various approaches suggested are consumer tested.	
332.	AAE	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling?	Yes. We support the use of standardised inputs and assumptions based on "risk-free" interest rate plus risk premia based on historic data which would be determined by EIOPA. However, as noted earlier, we do not think that the UFR should be used for this purpose. We recognise that inflation is not homogenous across Europe, or even across the Eurozone, and that it is necessary to strike a balance between providing meaningful information and complexity. The proposal that "*PEPP providers shall employ the headline inflation projections provided by the European Commission or by the MS Central Bank for the short run … for the countries for the correspondent currencies of the relevant financial amounts and then assume the corresponding inflation target for the remaining periods*" seems reasonable, although we would also be comfortable with the use of the long term target for the entire projection period, except where the period is short. It should be made clear that inflation is not a product feature but an external factor.	Agreed.
333.	AAE	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	No comment	

No	Name	Reference	Comment	Processing
334.	AAE	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	AAE is fully supportive of full disclosure of costs of administration, distribution and investment as described in the consultation document. AAE also believes that the consumer should be provided with information on any amounts which are applied to provide any guarantee of return of capital, and any biometric risk cover. This may be straightforward to determine in some circumstances, but we recognise that for some insurance products it may not be practical to identify the "cost" of the guarantee and any figures provided might be misleading. The most important issue is that all of the costs are reflected in the projection of benefit outcomes (see below). To avoid confusion, we suggest that the term "cost" is not used for these items as the amounts are in effect premiums paid for these product features. Whilst it is true that in a lifecycle approach, the impact of the disinvestment out of the higher risk/return assets into the lower risk/return assets approaching retirement is an "opportunity cost", we consider that opportunity costs fall outside the scope of the requirement. However, the impact of all of these costs, charges and features (whether inside the 1% cap or otherwise) should be captured in the projection of future outcomes in the risk/reward section of the KID. The Regulation requires that the KID sets out costs in monetary and percentage terms, broken down between one-off and recurring costs, and the consultation document gives an illustration of a possible approach. We do not think that it is desirable to include the cost of early withdrawal in this table as this will not arise in many cases; it is important that the consumer is aware of the potential costs of early withdrawal but we consider that this should be disclosed separately with an appropriate narrative. It is not clear what the amounts or percentages in the table represent; are these costs in year 1 or an annual average over the lifetime of the product? We consider that the latter would be more appropriate. Overall, we consider that the table illustrated may be confusing to consumers and we recommend that various approaches are consumer tested. We suggest that consideration be given to having a brief outline of the charges in layer 1 with more detail in lower layers for those who wish to have it. The BS must show the impact of costs on the projected outcome. In our view, the reduction in yield approach is more meaningful than the proposed reduction in wealth approach, which depends, for example on the term of the product.	Agreed, please see also the response to comment 316.

No	Name	Reference	Comment	Processing
			The Regulation requires that, for the Basic PEPP, there is a cost cap of 1% of accumulated capital per annum. We agree with EIOPA's view that the "costs" of any guarantee or biometric risk coverage should not be included in determining the costs for this purpose. It will, therefore, be important that the amounts attributed to these items are fully disclosed and transparent and calculated in a consistent manner across entities / countries, so that it is not possible to "hide" other costs under these headings and thereby circumvent the cap. The costs of distribution include advice, and it may be challenging to provide the saver "*with a personalised recommendation explaining why a particular PEPP, including a particular investment option, if applicable, would best meet the PEPP saver's demands and needs*", as required under Article 34, within the cost constraints, even where that the Basic PEPP is as simple as possible. Simplicity would facilitate the use of robo-advice which would help to keep costs down, although we would question whether this is sufficiently developed in the market to remove the need for some human interaction with the customer.	
335.	AAE	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	The AAE believe that there are two fundamental principles that the criteria should satisfy 1. Consistent and applicable to all RMTs 2. Able to be communicated and communicated appropriately The criteria then need to consider:- a) What risk is being mitigated? b) How effective is the mitigation? <u>Consistency</u> The PEPP Regulation gives three examples of RMTs i) Life-cycling ii) Establishing reserves which are allocated in a fair and transparent manner to mitigate losses iii) Guarantees The minimum criteria should be consistent across these and any other types of RMTs. Indeed, we believe that a technique should be regarded as being an acceptable RMT not through being able to be defined as falling into one of these categories, but rather because it meets a set of agreed criteria.	Agreed. Agreed.

No	Name	Reference	Comment	Processing
			If there is a lack of consistency, then this will lead to arbitrage. It will not be in consumers' best interests if different approaches are preferred by providers based on arbitrage between criteria. Nor will it lead to confidence in the PEPP system if different types of providers are arguing about the effectiveness of their approach based on non-level playing fields. Communications The RMT needs to be understood and trusted. This makes it important that providers are able to communicate how their RMT meets the required RMT criteria. If this is not possible then it will lead to mistrust of PEPP solutions and in the extreme increase the risk of mis-use of the criteria. *Layering* One of the challenges within communication is the range of stakeholders that will be recipients of the information, e.g. consumers, advisers, regulators. Each different type of stakeholder might be expected to have different levels of understanding of pensions and financial products and also have different purposes for the information. EIOPA has recently been advocating a layering approach to communications, and the AAE is supportive of this layering approach being adopted for the communication of RMTs and how they meet the required minimum criteria. For example, in describing the level of risk attached to a particular RMT regulators and advisors may be interested in seeing the detailed methodology and assumptions used to assess the risk and in being provided with some statistical output (e.g. means, variances, distribution functions) that measure the risk. In contrast it may be more appropriate to provide consumers with some simpler form of presentation which help a consumer better understand the risk. *Enable choice of RMT* From the discussions on PEPP to date it is clear that different parties have different views on the effectiveness and appropriateness of different types of RMT. The AAE believe that appropriate communication can help to remove the noise in this area. If consumers and advisers receive effective communication on how an RMT works, what risks it mitigates and the level of effectiveness of this mitigation then consumers and advisers can make an informed choice on what RMT is best suited for their needs.	Agreed.

No	Name	Reference	Comment	Processing
			<u>Risk Being Mitigated</u> There are various potential options as to the risk that is to be mitigated, e.g. i) Return of capital in nominal terms ii) Return of capital in real terms iii) Return such that the fund can purchase a minimal level of income iv) Return such that the fund can meet a minimal level of income through phased withdrawal/drawdown Article 45 of the Regulation states that "*The Basic PEPP shall be a safe product representing the default investment option. It shall be designed by PEPP providers on the basis of a guarantee on the capital which shall be due at the start of the decumulation phase and during the decumulation phase, where applicable, or a risk-mitigation technique consistent with the objective to allow the PEPP saver to recoup the capital.*" Article 46 of the Regulation sets out the objective of risk-mitigation techniques *"to ensure that the investment strategy …is designed in order to build up a stable and adequate individual retirement income …and to ensure a fair treatment of all generations of PEPP savers."* In turn each of the above can be impacted by market risk (volatility), credit risk (risk of default) and liquidity risk (which can impact ability to pay out). There are various pros and cons of each approach.	Agreed, see the response to comment number 11.

Risk being mitigated	Pros	Cons
Return of capital in nominal terms	• Easy to understand • Simple to measure • Objective measure • Consistent with article 45's reference to recouping capital	• Does not match consumers exposure to inflation risk • References a lump sum amount rather than article 46's stable income measure
Return of capital in real terms	• Matches better consumers exposure to inflation risk • Consistent with article 45's reference to recouping capital	• More difficult to understand • More difficult to measure • References a lump sum amount rather than article 46's stable income measure • What measure of inflation?

No	Name	Reference	Comment	Processing
			<table><tr><td></td><td></td><td>• Inflation rate can vary from one EU country to another</td></tr><tr><td>**Ability to purchase a minimum level of income *and/or to drawdown a minimum level of income***</td><td>• Matches consumers need for retirement income • References article 46's stable income measure</td><td>• Conceptually very difficult for consumer to translate an accumulating fund value to a protected level of income • Not consistent with article 45's reference to recouping capital</td></tr></table> The AAE's belief is that the Return of Capital in Nominal terms is likely to be most suited to the basic PEPP given article 45's reference to recouping capital and the likely consumer profile for the product pointing to a risk that is most simple to understand. However, the AAE believe that mitigation any of the above risks has merit and it should be permitted for providers to design solutions that can be described as RMTs that mitigate any of these risks. Referring to the "Communications" section above the important element is that a consumer (and adviser etc.) are effectively informed of which of these risks is being mitigated and how effective is it in doing so. <u>How effective is the mitigation</u> Having established the risk that the RMT is aiming to mitigate, it is then important to determine how effective is the technique in achieving this goal. The following elements need to be considered:- i) The statistical measure used to assess the risk? ii) The quantum, level of acceptable risk mitigation? iii) The method for calculating whether the RMT effectively meets the required level of mitigation *Statistical Risk measurement* There are various options as to the risk measure, e.g. a) Spread of potential returns (e.g. volatility, standard deviation) b) Percentage of likely scenarios returning less than a certain amount (e.g. Value at Risk ('VAR')) c) Average value of scenarios returning less than a certain amount (e.g. Tail VaR/Conditional Tail Expectation ('CTE'))	Agreed.

No	Name	Reference	Comment	Processing
			A paper produced by the OECD[87] concludes that a regulator should be most interested in the level of return associated with the worst possible outcomes, rather than the standard deviation of returns, which appears to be EIOPA's focus based on the inclusion of a "deviation of returns" RMT objective within the consultation document. It is the AAE's view that consumers would also be most interested in level of return associated with the worst possible outcomes. This points to either a VaR or CTE measure. There are pros and cons of each approach. The VaR is conceptually easier providing a measure of the probability of a "bad event". However, CTE gives a better indication of how bad it is likely to be if the "bad event" happens. The AAE has no very strong views on which of these measures would be more appropriate but would tend to favour a measure that is easier for a consumer to understand over academic debate about the technically more appropriate approach. This is likely to be the VaR measure, however, we believe that EIOPA may want to consider some consumer testing before landing on a final decision. *Quantum of Acceptable Risk* If we suppose that a VaR measure is preferred then the next step is to consider what minimum quantum should be attached to the VaR measure, i.e. a 95% VaR of loss of nominal capital would indicate that there is 5% probability of the RMT resulting in the consumer not getting their capital back. The acceptable quantum of risk is ultimately a public policy issue and therefore not one for the AAE to give judgement on. However, the AAE would be willing to perform further analysis to help EIOPA arrive at their preferred maximum quantum of risk. When considering the quantum of risk, it is necessary to consider the time horizon over which to measure the risk. The most natural time horizon is a forward-looking measure from "present day" to the expected retirement date. "Present day" reflects that risk mitigation techniques are concerned with mitigating future risk and cannot be expected to mitigate events that have already occurred. Whilst the natural future time horizon is the expected retirement date, EIOPA should consider whether there is value in also (or alternatively) considering the risk over shorter or longer time horizons, e.g. to reflect early or late retirement. Some countries' regulations already permit pension holders to take retirement within a range of minimum and maximum dates whereas others are more restrictive, both within employment contract law and pensions regulations. Retiring later than expected can be regarded by some as being itself a risk mitigation technique -	

[87] OECD Working Papers on Finance, Insurance and Private Pension No. 2: Assessing Default Investment Strategies in Defined Contribution Pensions Plans

No	Name	Reference	Comment	Processing
			if the PEPP fund is less than expected at the expected retirement date then the ability / option to defer retirement can provide time for markets to correct and/or further contributions to be made. The ability to late retire as a risk mitigation technique will be relevant in countries that allow the possibility to stay invested in products e.g. income drawdown solutions beyond retirement age and/ or allow accumulation beyond the standard normal retirement age. The AAE would be cautious in not wanting to over-complicate matters however if EIOPA believe that deferring retirement may be an acceptable risk mitigation technique then it should consider this further within any further calibration work on determining the correct quantum of risk. *Calculation Methodology* There are a number of different approaches that can be used in assessing whether an RMT meets the required minimum risk criteria. E.g. a) Past performance (and a decision over what 'past performance' period is needed here) b) Monte Carlo simulations: A stochastic model should be chosen which is neither too complex nor too simple[88]. c) Scenario analyses: Suitable scenarios have to be chosen which illustrate possible risks and how the RMT mitigates those. Scenarios need to fit the product characteristics. d) Simple deterministic approaches based on 'averages' for each of the variables e.g. assumed returns All of these different approaches have pros and cons and have advocates and detractors. The AAE's main recommendation is that to avoid arbitrage the calculation methodology is consistent across all RMTs. In addition, it would be beneficial if the approach was also consistent across all countries.	

[88] PRIIP has shown us that too simple methodology can be quite misleading. E.g. the use of bootstrap methodology resulted in overly procyclical results. Models should not just project the recent past into the future.

No	Name	Reference	Comment	Processing

Methodology	Pro	Con
Past Performance	• Easy methodology for market traded product • Easy to understand	• No methodology for with-profit products • Only one scenario. For path-dependent products this can be misleading • Survivorship bias • Does not deliver quantum / threshold? How is a probability of a loss calculated?
Simulations	• Large number of scenarios • Consistent approach across all product types and RMT possible -> comparability	• Need for calibration (and regular updates for calibration) • Who calibrates? • What are the underlying market assumptions (calibration)? • Implementation costs
Scenario analyses	• Relatively easy to implement • Easy to understand	• Who generates scenarios? • What are the underlying market assumptions (calibration)? • What is the right number of scenarios? • Who decides on scenarios? • Does not deliver quantum / threshold? How is a probability of a loss calculated or how many scenarios are needed to give meaningful results?

No	Name	Reference	Comment	Processing
			<table><tr><td>**Deterministic approach**</td><td>• Easy to implement • Easy to understand</td><td>• Who determines the assumed returns? • What are the underlying market assumptions? • Many risk mitigation algorithms (like CPPI) cannot be tested on constant scenarios. • Does not deliver quantum / threshold? How is a probability of a loss calculated?</td></tr></table> An assessment of the different approaches is not considered further within this response however the AAE would be very happy to provide thoughts on this matter as follow up work. *Ongoing Assessment* An RMT should be subject to ongoing assessment as to its appropriateness for future new policies. This is consistent with article 25 of the Regulation which requires PEPP providers to "*maintain, operate <u>and review</u> a process for the approval of each PEPP."* The method for reviewing the appropriateness of an RMT should be consistent with the approach used for its initial approval. I.e. risk being mitigated, measure of risk and calculation methodology. **<u>Criteria or Principles for Lifestyling Approaches</u>** The AAE believe that Lifestyling approaches should not have "special" criteria but rather that the minimum criteria for all RMTs (as discussed above) should apply equally to Lifestyle strategies. This is in keeping with the AAEs views that the criteria should be applied consistently across all RMTs and that these criteria should be sufficiently flexible to accommodate not only the three types of RMTs described in the PEPP regulations but also to accommodate different or hybrid versions that may emerge over time. **<u>Conclusion</u>** The AAE believe that the criteria for RMTs should put the consumer at the centre and be described in terms of the impact on the consumer rather than the mechanics of the RMT itself. As such the criteria should be <u>output</u> measures rather than <u>input</u> descriptions.	

No	Name	Reference	Comment	Processing
336.	AAE	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	No comments	
337.	AAE	Q9. Do you have any other general comments to the proposed approaches?	None	
338.	AAE	Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution?	We recognise the need to have digital-friendly information, and to provide detailed information in separate webpages which are linked to the page setting out the most important information i.e. a "layering" approach. Of course, it should also be possible to access and print all of the information in a single pdf document. The costs of distribution include advice, and it may be challenging to provide the saver "*with a personalised recommendation explaining why a particular PEPP, including a particular investment option, if applicable, would best meet the PEPP saver's demands and needs*", as required under Article 34, within the cost constraints, even where that the Basic PEPP is as simple as possible. Simplicity would facilitate the use of robo-advice which would help to keep costs down, although we would question whether this is sufficiently developed in the market to remove the need for some human interaction with the customer.	Agreed.
339.	Samuel Denton State Street Global Advisors	Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the	We are supportive of EIOPA setting the parameters to be used for the purposes of the stochastic modelling. We agree that a single institution should set the scenarios on which the stochastic modelling should be based, to ensure consistency and comparability for savers and believe EIOPA is well placed to do this. We note there is already precedent within EU Member States, of such parameters being set by the competent authority, and specifically refer to the example of the Netherlands, which we outline below. Notwithstanding our above position, we would strongly encourage EIOPA to adopt an appropriate governance framework for the creating and maintenance of the parameters, which ensures sufficient transparency and independent oversight and challenge.	Agreed, yet EIOPA sets out the framework, which needs to be filled with the provider's appropriate stochastic modelling.

No	Name	Reference	Comment	Processing
		key assumptions and inputs used for the necessary stochastic modelling?	We would refer EIOPA to the common practice in the occupational DC market in the Netherlands, where there is a mandatory standard methodology for pension projections of DC and DB pension plans. This mandatory methodology has been in place since 2018/19 and allows projections to be compared effectively across providers. It offers expected returns and risk margins for various asset classes. It also includes inflation projections. The standard methodology is called the Uniform Calculation Method (Uniforme Rekenmethodiek – URM) which is based on a stochastic model and is provided by the DeNederlandscheBank (DNB). The DNB sets the scenarios (2,000 scenarios were calculated at launch, but this has been increased to 10,000 as of January 2020) that are to be included in the stochastic model, which is updated quarterly. We would also like to note EIOPA's involvement in developing projection and forecasting methodology in the 2nd pillar occupational DC pensions market, and we believe the development of the PEPP could benefit from this experience. This includes both the work done as part of the DC stress test and the DC prototype plans. We believe that sharing of best practices between this work and the work on the PEPP would be beneficial, particularly regarding the stochastic modelling, life-cycling de-risking strategies, performance benchmarks, and communication to savers.	
340.	Samuel Denton State Street Global Advisors Multiple EU Jurisdictions (Ireland, Netherlands) and UK	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	Life-cycling as a risk mitigation technique SSGA is pleased that life-cycling is specifically included in the Level 1 Regulation as an appropriate Risk Mitigation Technique under the PEPP. We are fully supportive of EIOPA's conclusions in the Impact Assessment that setting out strict regulatory criteria on investment allocation for the risk mitigation techniques would not be beneficial. Under the risk-mitigation techniques proposal in the consultation paper, there is much focus on return of capital. We acknowledge that safety is one of the key aims of the PEPP regulation. We would however encourage EIOPA to consider that whilst recouping capital is important to the saver's confidence, it is also important for the saver to get real growth of capital to help them achieve their retirement goals. We would therefore recommend EIOPA proposes to highlight these features and benefits to savers, particularly in PEPPs that utilise life-cycling as a risk mitigation technique. Probability levels of savers recouping the capital Whilst we recognise EIOPA's objective of ensuring that the investment process is consistent with the risk profile of the investment option, we have specific comments on the probability values of recouping the capital invested proposed by EIOPA.	Agreed. Agreed, the requirements have been further developed.

No	Name	Reference	Comment	Processing
			On the basis of evidence in the OECD paper entitled 'An illustration to assess the risk profile of investment strategies', we are supportive of EFAMA's proposal to: - Reduce the probability of recouping the capital at the beginning of the decumulation period, for the Basic PEPP, to around 95%. If the remaining accumulation phase is less than ten years when taking up the PEPP, a probability of around 90% could be used. - Set the probability at around 90% for all other investment options under the PEPP These levels should be achievable based on the evidence of the OECD modelling, while being high enough to give some comfort to investors as to the level of confidence they can have in the outcomes of saving. We would stress that ensuring savers are appropriately informed, in the supporting documentation of the probability levels and what they mean for them practically, is crucial. We also note that at this stage, as the calculation parameters and inputs (e.g. expected returns, risk margins, inflation expectations) are not available for the proposed stochastic modelling, it would be difficult to determine whether the probability levels are possible or achievable under a life-cycling risk mitigation technique. Hence, further consistency checks will be required once the work is more developed. Stochastic Modelling We would be pleased to share further insights and our knowledge and practical experience in stochastic modelling for DC pension plans with EIOPA once the EIOPA model is available later in 2020. Variable benefits in decumulation phase We have specific comments on EIOPA's interpretation of life-cycling, as set out on page 30 of the consultation paper. We think that the proposals in the consultation are too focused on a fixed retirement date and fixed benefits at the end of the accumulation period, rather than variable benefits that are becoming more commonplace in decumulation, such as drawdown or variable annuities. We see these decumulation options as being the norm in the future due to trends that savers typically are working longer, and/or transitioning from employment to retirement in a phased manner; for example, by either retiring gradually or undertaking a part-time retirement and receiving partial benefits.	

No	Name	Reference	Comment	Processing
			We support the proposal to extend the life-cycling beyond the limits of accumulation, in the case of adverse economic development. However, we encourage EIOPA to consider how to introduce continued investment and the ability to switch target date in its proposed approaches and considerations. We would also draw EIOPA's attention to the PensionsEurope paper on 'Good Decumulation of Defined Contribution Pension Plans'.[89] This paper provides an overview of the diversity of the decumulation phase throughout Europe, and provides examples of decumulation options in different Member States. Whilst the focus is occupational DC plans, there are commonalities between occupational DC and the PEPP, and we would encourage EIOPA to consider the combination of accumulation and decumulation when drafting its proposals.	
341.	UMR	Preliminary comment	Established in 2002, Union Mutualiste Retraite ("UMR") is a Union of French Mutual companies subject to regulation Solvency 2. The UMR manages two personnal pension schemes UMR R1 and UMR COREM. As such, UMR has around 195 000 active members and 187 000 pensioners. In 2019, the UMR managed close to €10 billion of assets. We acknowledge the necessity in Europe to offer additional incentives for people to save for their pension, alongside the occupational and state- based pensions available today. An ageing continent and a globalized economy with open borders, labor mobility and migration require a European response for pensions. As a mutual, we entirely share the objective developed by the PEPP, as we believe that PEPP will foster the European market for personal pension products. Easy access and portability between supplementary personal pensions could be a great opportunity to protect the purchasing power of retired people UMR was very active in the discussion with the French treasury in order to reform the personal pensions product offer (PACTE law) and we have launched in january 2020 a new personal pension product very similar to the PEPP based on unit Links. Further more Paul Le Bihan UMR'S CEO is a member of EIOPA's expert practitioner panel on PEPP. First of all, we would like to express our appreciation for the excellent preparatory work already completed by EIOPA in a demanding timescale. We agree that consumer research testing is essential to ensure that what we propose is understood by the public. As highlighted in the consultation paper (P.13), the Pan-european Personal Pension Product	Noted

[89] *PensionsEurope, "Good Decumulation of Defined Contribution Pension Plans throughout Europe" 10 December 2019.*

			(PEPP) is not a basic financial product : it contractually engages the customer for a(very) long period of time, during which, his (her) conditions of life may significantly change as the general socio-economic environment will do (including a potential change in the residential country). The choice he (she) makes when contractualizing reflects his (her) current analysis of his (her) situation. The type of investment option, selected with the professional advice of the provider to try to answer the need he expresses, **will have to be regularly reassessed** to adapt to his (her) situation, means and needs. Such professional support will be required whatever the investment option is (basic or not) and, in our opinion, cannot (yet) be provided on an automated basis. We can only share the EIOPA/European Commission view on the interest to develop, as much as possible, a harmonised, simple, transparent and secure offer that could be reflected through information documentation. However, the market will face (at least) two strong difficulties : • the current (financial and economic) environment is not the best one to launch such a new product. heterogeneity among the various national markets, in terms of actual maturity, financial culture / education, legal and fiscal environment will not help to reach those objectives, complexifying the structuring and management of such a multi-national product. If we add the (“idealistic”) objective to develop a future-proof system, leveraging new technological possibilities, **this will not be done without significant investments (meaning time and costs)**, which obviously question the ability/ interest for numbers of existing players to enter such a PEPP market, particularly for the smaller ones, at least in the short term. We are also concerned by the constraint put by the official agenda: Such a constraint timeline : • requires public consultation and consumer testing exercise in parallel, which does not allow us the, providers, to benefit from the consumers feedback; • excludes the two-step consumer testing approach, that we consider necessary to correctly address the need for information • puts an unnecessary burden on EIOPA to provide the European Commission with a solid, fully tested and argumented proposal (as shown hereafter there are still a number of issues to be clarified) Last but not least, throughout the consultation paper, inflation is highlighted as a key risk to take into account. On one hand, the consultation paper indicates (p. 8) that “*Regarding the specifications of the underlying assumptions for the projections, reference should be made, where relevant, to the consistent calculation of*	

			nominal investment returns, ***the annual rate of inflation*** *and the trend of future wages, in collaboration with the ECB and Eurostat".* *On the other hand, it is underlined that "There is a clear dispersion of inflation rates within the Member States of the European Union. The divergence of inflation rates occurs not only across countries with different currencies and independent monetary policies, but also within the monetary union […] Given the complexity and the impracticability of addressing all macroeconomic factors behind these divergences, the determination of the applicable annual rate of inflation for the PEPP is not straightforward". On that matter, the PEPP regulation (on default investment option) just stipulates that inflation indexation could be included.If we assume that reference needs to be made to the risk of inflation, w****e do share the view that inflation introduces complexity in the required projection exercises, either to generate assumptions for projections or benchmark. Such complexity cannot be assumed by providers****.*	
342.	UMR	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP	We welcome the mock-up approach (and the three provided templates) which should contribute to the development of ~~a~~ "user-friendly" information on a complex financial product. In our view, it would be useful to make a better distinction between the Basic PEPP and others PEPP formulas: Previous experience (on PRIIPs notably) shows that information overload and burden is an issue for consumers, in the selection process to meet their needs. If all alternative investment options need to contain the necessary information, based on quality rather than quantity, the Basic PEPP should definitely be simpler. We do not see any evidence on that matter in the current consultation paper (nor in the proposed mock-ups), notably in the way the layering should be defined. . **Page 9** The consultation paper highlights on one hand the fact that "*the volume of information to be contained in the PEPP KID is extensive, and so all tools that can be used to aid the consumer in navigating the document and extracting key information should be used*". On the other hand, it stipulates the necessity for "*a standardised information document*" with RTS specifying the required details of the presentation. We do share this view but we do not find in the consultation paper nor in the mock-ups **enough clarification, particularly regarding the layering, the sub accounts and the use of new disclosure format** (audio, video) **Page 13** We first question the following assertion "The main risk of a pension product is the risk of not reaching the individual's retirement objective[…]".We consider that two different risks are mixed there: • the risk that the pension product does not reach the objective it has been structured for (which can result from misengineering or adverse market conditions)	Agreed, the requirements have been further developed and specified.

			• the risk that the pension product does not answer the saver objective (which can result from a poor advice) Regarding the identification of the building blocks, we believe that the provided information is not sufficient and clear enough. In relation to the comment made above (for page 13), we do not think that "*The methodology to quantify the risks, rewards and performance of PEPP follow from **the retirement income objective***". Each PER product is designed with characteristics to reach specific fianacial objectives (in link with the risk aoppetite) that mus be clearly apparent and understandable for the saver. The quality of the advice provided by the professional advisor should complete this information to make sure that the PEPP product objective fits the saver's. **Page 14** The UFR is a combination of a risk-free rate and an expected inflation rate. As indicated above regarding inflation, we think that there is a lot of uncertainty on those 2 components especially in the persistent low-interest-rate context and the expected inflation could be quite different from a country to another. Furthermore, the UFR is calibrated in a solvency calculation perspective so it might not be suitable in the PEPP context. Therefore, we do not share the suggestion to use the "*measure of the standard deviation from the mean (best estimate) expected outcome per decumulation option available (PEPP KID) or decumulation option chosen (PEPP Benefit Statement) together with the probability of reaching returns in line with the ultimate forward rate"* **Page 15** We agree on the interest to present past performances. But we also believe that there is no need " *to present average returns over ten, five, three and one years*". It would first imply that such information exists (this will not be the case for new products). We therefore suggest limiting this information to two references: • The one year return • The maximum between 10 years and the existing life experience of the contract. We would also appreciate clarification on "relevant" benchmarks, given that we do not agree on the UFR reference. **Page 16** regarding the summary risk indicator, EIOPA puts forward two options: « *risk classes and/or simple textual presentation* » or a matrix approach. We believe that the first option should be the preffered option given that it would be easier for consumers to understand than the matrix approach, which is too complex and potentially confusing for consumers.	

			The consultation paper underlines the fact that "*Consumer testing will be important in drawing out which forms of presenting the summary risk indicator work best*". We do agree on that analysis but are questioning the presentation made in the various mock-ups on that matter: • Illustration is limited to 2 different scales and • Narratives explanations do not provide, in our opinion, a clear view on the type of risk assumed and on the way the level of risk has been defined/analysed. More specifically, the PEPP regulation stipulates that "(recital 39) *The default investment option should allow the PEPP saver to recoup the invested capital".* We would appreciate, in the case of this basic option, to know whether this objective results in a standard "risk class", meaning that the risk indicator level would be unique. **Page 17** For the applicable basic return assumptions, referred to as "annual rate of nominal investment returns" it is suggested to use the long-term riskfree rate (ultimate forward rate) plus average long-term risk premia per different asset classes. As explained previously, we do not share this suggestion Regarding inflation, we restate our preliminary comment, **Page 19/20 Cost disclosure** "*Full transparency on costs and fees related to the investment in a PEPP*" is required by the PEPP regulation not forgetting that "(recital 55) […] *A level-playing field between providers would be established, whilst ensuring consumer protection*" If we agree on the envisaged breakdown of fees, as a matter of transparency, we would like to emphasize the importance of excluding • distribution costs from the other components, for the PEPP KID, as these costs strongly depend on the distribution channel and the attached advice. On that matter, linking with our preliminary comment, fees related to providing "personal recommendations", will fluctuate as a function of the needs expressed by the customer during the whole accumulation phase. This pleads for an "average yearly costs" approach guarantee costs. On that specific matter we do not agree on the cost of guarantee definition as provided ("*premium charged for guarantees*") : it is essential to differenciate the cost of the risk that has been transfered to the provider (which is a risk premium) from the cost attached to the set up of such a guarantee.	

			Page 21 Regarding the "Reduction in Wealth" approach (RiW), we would need more information on the way it works before validating such an option and we consider that providers' feedback would also be needed to test both options (RiW and RiY). **Page 22 Article xa "review of the PEPP KID**", We are not comfortable with the use of "significantly" ("*there is a change that significantly affects or is likely to significantly affect the information content in*"), too vague and subjective to trigger the review process. **Page 23 – Article xa Conditions on good time** We consider that the alinea 2(c) is not clear enough. More generally, we would encourage the adoption of measures in coherence with other existing regulations (IDD notably).	
343.	UMR	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of	According to the findings of the Commission's recent fitness check of the EU, supervisory reporting requirements in the area of financial services, as presented on 7 November 2019, show inconsistencies between reporting frameworks, which reduce the quality of data and increase the administrative burden for financial institutions. To improve the system, the fitness check suggests a comprehensive approach by the Commission and the relevant stakeholders to further streamline the requirements and develop a supervisory reporting that is fit for the future. Bearing this in mind, a question arises on how to ensure consistency between existing reporting requirements that the different PEPP providers (insurers, asset managers, pension funds) are subject to and the new PEPP requirements. **Pages 26-27 Deadlines of the regular reporting** There should be more clarity on the reporting obligations before the deadlines of reporting are set.	Agreed.
No	**Name**	**Reference**	**Comment**	**Processing**

344.	UMRFNMF	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	**Regarding the 1% cost cap for the Basic PEPP** We do support the principle of cost efficiency but do not agree on the level of cost cap and consider that the overall benefit of such a cap concept could be challenged for various reasons: • With regards to the necessary investment to enter such a new market, it will be detrimental to the smaller players and would therefore question the proportionality principle. Regarding the specific features attached to the PEPP product (switching possibilities, set up of risk mitigations techniques, information and advice obligations,…), it is not possible to evaluate the correct level of cap which could be acceptable for entering such a market. Upfront investments to launch such a product will initially increase the overall weight of costs which may decrease subject to the potential success of the product. The cost cap could also have a negative impact on product innovation and could constrain the quality of service that the PEPP provider can afford to offer. We would rather defend the cost transparency approach which has proven to be a useful tool. **Cap Exclusion (if cap nevertheless considered)** We consider that distribution costs should be excluded from the cost cap. As previously mentionned, the level of distribution costs is directly linked to the distribution channel. We agree with EIOPA's approach that the capital guarantee should not be included in the Basic PEPP's cost cap. **Page 28/29 – automated advice without human intervention** It is worth noting that insurance undertakings are already subject to the requirements of the Insurance Distribution Directive, and there is a very limited use of automated advice (robo- adviser) without any human intervention. As explained before, personalized advice is necessary even for basic PEPP during the accumulation phase given that many changes can occur in the lives of PEPP customers (i.e. job; family, wages; taxes, ...) and to take into account the financial knowledge of consumers.	Partially agreed, please see response to comment number 11.

345.	UMR	Q7. Which criteria should be added to foster the application and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work?	**Page 33 Article xa Establishing reserve** We observe that the use of mitigation techniques do not have the same implications when set up by the different typologies of providers, depending on the nature of the techniques and on the existing prudential regulations. The PEPP regulation underlines the need to maintain a level playing field approach and we recommend that such a principle be respected and that flexibility be preferred to overregulation. .	Partially agreed, please see the response to comment number 11.
346.	UMR	Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment?	**Policy issue 1** We share most of the criticism against the RiY approach, in particular its dependence on yield assumptions and the fact that the consumer could think that fees are very low. For those reasons we do not agree with the policy option 1.1 which consists in replicating the RiY approach used under PRIIPs. Moreover we think that the PEPP KID should specify the fees regarding the liquidation phase. **Policy issue 2 Admittedly, developing a standardised pension product in a European legislative framework could lead to a reduction of cost in a long term perspective, however, we disagree with the fact that the PEPP (even the basic PEPP) will allow insurers to generate economies of scale, the potential market being too small. ("In 2015, 11,3 million Union citizens of working age (20 to 64 years old) were residing in a Member State other than the Member State of their citizenship and 1,3 million Union citizens were working in a Member State other than their Member State of residence." – source: PEPP Regulation)** **As mentioned above, it is necessary to exclude the cost of guarantee from the cost cap. Costs included/excluded from the cost cap should be precisely defined in order to avoid the risk of unfair competition.** **Policy issue 3** **The option 3 (which is the option chosen by EIOPA) is not provided with enough details to allow the FNMF to take a clear position (what are the objectives? Criteria?). We disagree with the option 1 (setting out strict criteria on investment allocation); more generally, setting too strict rules will not encourage insurers to enter in the PEPP market.**	Agreed, the impact assessment has been further developed and amended.

No	Name	Reference	Comment	Processing
347.	UNIPOL GROUP	Preliminary comments	Unipol Group welcomes the opportunity to provide its feedback on EIOPA's proposed approaches and considerations for its Technical Advice, Implementing and Regulatory Technical Standards under Regulation (EU) 2019/1238 on a PanEuropean Personal Pension Product (PEPP) (hereinafter the "PEPP Regulation"). As a preliminary comment, Unipol Group is of the opinion that overall the consultation document is not always clear about the approach chosen by EIOPA and as a consequence about the drafts that is intended to be proposed for the RTS or the final Technical Advice. As regards for example the proposed RTS concerning the PEPP information documents, we question the timing of the ongoing consumer testing as the mock-ups proposed in the consultation paper are likely to be updated in light of feedback from the consumer testing. This may result in the finalized mock-ups being introduced without any possibility of consulting stakeholders Moreover, with reference to the paragraphs dedicated to the standardised inputs and assumptions for performance scenarios/pension benefit projections (page 17), there are different alternatives proposed but given that EIOPA is waiting for the outcome of the ESAs consultation on changes to the Key Information Document for PRIIPs, it is not clear which of the options presented is the one that will be chosen by the Authority. That being said, Unipol Group would like to share its views with regard to the following three main aspects which will be discussed in more details in the replies provided to the questions below indicated: **1. Cost cap of the basic PEPP**: Unipol shares EIOPA's approach **not to include the cost of the capital guarantee in the cost cap of 1%** set by the PEPP Regulation. Unipol Group underlines the additional value provided by the guarantee to the product which can be better understood by the consumer only if represented separately. This is particularly true in the current economic situation where, due to the low interest rates environment, most life insurers struggle to offer guarantees. It derives that, according to the Group's position, it is not fully correct to talk about "cost of a guarantee" as the term "premium" for a guarantee should be used; **2. Supervisory reporting**: Unipol Group appreciates EIOPA's intention to develop one data set, applicable by all PEPP providers, which would allow to avoid any double-reporting linked to sectoral, prudential reporting requirements. However, <u>the consultation document is not</u> <u>clear about how this objective will be</u> <u>reached by EIOPA</u>. Hence, Unipol Group would like to remind of the importance to ensure consistency between existing reporting requirements and to avoid the introduction of additional layers of reporting that have as only effect the creation of extra administrative costs without adding any additional value added in term of transparency and/or business soundness; **Presentation of the information documents**: Unipol does not fully share EIOPA's approach on cost disclosure. Unipol does not agree with the extension of the breakdown of costs envisaged for the PEPP Benefit Statement	Partially agreed, the requirements have been further developed and specified.

			to the PEPP KID and suggests that the same cost categories used for the PRIIPs KID is used. In this context, Unipol Group would like to point out that it is difficult to show the actual amount of distribution costs for the specific PEPP; hence, this kind of costs should not be represented as a separate category, but either as a percentage of a broader cost category. The practical implementation of PRIIPs Regulation has shed light on the overarching technical difficulties in disentangling distribution costs from other costs since distribution costs are not fully under the control of the manufacturer and could stem from commercial practices put in place by distributors.	

No	Name	Reference	Comment	Processing
348.	**UNIPOL GROUP**	Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives?	Unipol Group welcomes the "mock-up" approach and the illustrative examples of PEPP KID and PEPP Benefit Statement developed by EIOPA which allow stakeholders to contribute to the development of "user friendly" information documents on a new financial product. However, Unipol Group understands that new mock-ups have been specifically designed in the context of the consumer testing exercise that is being carried out in parallel with the current consultation process and that will feed into the final RTS which will be sent by EIOPA to the European Commission. With this regard, although it would have been preferable to comment on a **single final illustrative example** of a PEPP KID and of a PEPP Benefit Statement, Unipol Group would like to use this opportunity to share its views on the following two aspects. I. **Layering of information** (page 9 of the consultation document) Where the PEPP KID is provided in an electronic format, the PEPP Regulation mandates EIOPA to develop - among other things- draft regulatory technical standards specifying the "*layering of information, which information shall be in the first layer and which information may be provided in the additional layers of detail*" (Article 28, para. 5, PEPP Regulation). On this point, the consultation paper, on the one hand, recognizes the need to standardize the key elements of the PEPP KID, such as the details of the presentation, including the form and the length of the document, while on the other it highlights the importance to leverage new technological possibilities for the disclosure of the (extensive volume of) information to be contained in the PEPP KID. Unipol Group shares the view that standardization can be difficult given the wide range of devices and screen sizes that can be used by the consumers and that any additional requirement in this field which should ensure that the same information is provided in online and offline environments should be future proof. However, neither the consultation paper nor the mock-ups include details on how the layering should be defined and	Agreed, the requirements have been further developed and clarified.

			implemented in practice thorough interactive menu features, hyperlink (e.g. to which external websites, if any, the PEPP provider can forward the PEPP saver?), dynamic pop-ups, etc. In general, Unipol Group believes that any future provision laid down by RTS in term of transparency should be designed taking into account future technological developments and in a way which should not prevent the adoption of innovative tools which could be useful for consumers and could boost the transparency of information in the consumers' interest. II. Cost disclosure (page 19-20 of the consultation document) According to the PEPP Regulation, transparency and fairness of costs and fees is essential to develop PEPP savers' trust and allow them to make informed choices (recital 58), while ensuring also "a level-playing field between providers" (recital 55). Comparative information would be available between different products, thus incentivising competitive pricing. In this context, as a preliminary comment, Unipol Group is of the opinion that it is essential to avoid an information overload on consumers and to confuse them with details that are not straightforward to understand. In addition, while it recognizes EIOPA's effort to ensure consistency between the PEPP information documents by extending the same breakdown of charges set by the PEPP Regulation for the PEPP Benefit Statement to the PEPP KID, Unipol Group is of the opinion that consistency should be also ensured between the PEPP KID and the PRIIPs KID on the cost categories. Bearing in mind the different objectives pursued by the two products, Unipol reminds that, as underlined also by EIOPA, PRIIPs Delegated Regulation on KID is a good starting point for the development of the RTS for the PEPP information documents, and particularly the table on costs no. 2 as represented under Annex VII of the aforesaid Delegated Regulation which contains macro-categories of costs (one-off, recurring, incidental). Compared to the breakdown of charges that EIOPA suggests instead to include in the PEPP KID (page 19), such a table seems clearer and more streamlined, without reporting sub-categories of costs that would hinder the required standardisation as they are not easy to understand for the consumer (e.g. administration costs) and difficult to be quantified by the providers (e.g. distribution costs). To this end, **Unipol Group would like to exclude distribution costs from the other components of costs to be represented in the PEPP KID** as they strongly depend on the distribution channel that will be used to commercialize the new personal pension products (still to be launched in the market) and the related advice cost (Article 34, para. 2, PEPP Regulation). Unipol Group suggests that distribution costs could rather be shown as a percentage or as a range of another macrocategory of costs, such as entry costs or administration costs, if the envisaged breadown of costs is kept. Regarding the guarantee costs, Unipol Group does not fully share the definition of "costs of a guarantee" as proposed in the consultation document (page 20).	

			As anticipated in the preliminary comments, given that a guarantee provides for an additional value to the product, it is important to differentiate between the "premium charged for the guarantees", which reflect the market price of the cover against the risk of financial loss – as indicated by EIOPA – from the cost strictly related to the design and set up of the guarantee itself. With this regard, Unipol Group suggests to amend the wording of the "costs of a guarantee" definition accordingly.	
349.	**UNIPOL GROUP**	Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors as well as of EIOPA?	Unipol Group is aware that EIOPA has recently launched a public consultation on PEPP ITS supervisory reporting cooperation which will allow stakeholders to comment on the draft Implementing Technical Standards regarding the format of supervisory reporting and the cooperation and exchange of information between competent authorities for the PEPP. Bearing this in mind, Unipol Group at this stage would like to emphasize the importance not to overload PEPP providers with reporting requirements which could ultimately hinder the launch of the new PEPP market. Unipol Group supports EIOPA's approach to develop one data set, which should be applicable by all PEPP providers and avoid any double reporting linked to sectoral, prudential reporting requirements (page 24 of the consultation document). Consistency is indeed one of the areas for improvement indicated in the final report on the fitness check of EU supervisory reporting requirements, an initiative carried out by the European Commission in 2018 and 2019. "*Consistent definitions and standards enhance comparability, communication and streamlined processes, both within firms and with supervisors, facilitating automation and reducing the costs related to data collection and analysis. There is also scope for improving the interplay between EU and national reporting, given industry concerns about flexibility in national implementation and additional national reporting requirements*", says the executive summary of the report published by the European Commission in November 2019. Therefore, even though the consultation document is not clear at this stage about how consistency will be ensured in practice, Unipol Group wishes to be able in the future to communicate and report only to its NCA (national competent authority) one set of data (both quantitative and qualitative) that the same NCA can then exchange with the other NCAs and EIOPA. In this context, the Group expects that processes will be clearly defined, for example when PEPP providers are required to report to NCAs any material changes to the	Agreed.

			<u>supervisory reporting information submitted after the occurrence of an event that could affect the protection of PEPP savers as well as in case of ***ad hoc* supervisory enquiries** that NCAs can decide to carry out regarding the situation of the PEPP provider or product besides regular supervisory reporting and reporting after pre-defined events (page 25 of the consultation document). Uncertainty in terms of procedures and NCAs' powers, as well as in terms of providers' rights and obligations, would create extra burdens and costs that may directly affect the efficiency of the PEPP market.</u>	
350.	**UNIPOL GROUP**	Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included?	The PEPP Regulation provides that the costs and fees for the Basic PEPP shall not exceed 1% of the accumulated capital per year. In order to <u>ensure a level playing field</u> between different PEPP providers and different types of PEPPs, EIOPA has the mandate to develop draft regulatory technical standards specifying <u>the types</u> <u>of costs and fees</u> that fall in the calculation of the cost cap. Bearing this in mind, as preliminary comment, **Unipol Group shares the principle of cost efficiency and transparency but does not agree on the level of the cost cap**. Firstly, taking into account the specific features attached to the PEPP product (switching possibilities, set up of risk mitigations techniques, information and advice obligations,…), it is not possible to assess the appropriate level of cap which could be acceptable for entering such market and the value of 1% seems too low to allow for the necessary entry-level investments, especially for the small players. The risk envisaged by Unipol Group is that laying down a (fixed) cost cap, which is not in line with the economic fundamentals that lead the market, could end up with a lack of supply for such products. The cost cap could also have a negative impact on product innovation and could constrain the quality of service that the PEPP provider can afford to offer. Unipol Group recognizes that a clear cost disclosure is pivotal for the developing of a competitive market in the best interest of consumers but a fixed cost cap conveys the wrong message that financial products are equivalent and shall be compared solely on the cost basis. Should the cost cap be nevertheless be considered, Unipol Group shares EIOPA's approach to exclude the cost of the capital guarantee in the cost cap as it represents a distinct feature. Precisely, according to the Unipol Group, there are three main arguments that support its position: 1. As already expressed in the preliminary comments and in the response to question Q2 on cost disclosure (in line with EIOPA's reasoning), the guarantee provides for an additional value to the product that the consumer should be able <u>to identify and</u> <u>appreciate separately from the other</u> <u>components of the PEPP</u>	Partially agreed, please see the response to comment 11.

			(especially in this economic context of low interest rates – please see below point 3), so that he/she can make an informed choice. It derives that it is not proper to refer to the cost of the guarantee but to the premium charged for the guarantees, i.e. the cost of the risk that has been transferred to the provider. 2. By excluding the guarantee from the "all inclusive approach" it is possibile to avoid a potential interpretative and operational problem relating to the need to find a methodology able to determine a fair and objective pricing of the different type of guarantees. Given the objectives to ensure a fair treatment of both types of Basic PEPPs (one prividing a guarantee on the capital and one a risk-mitigation technique consistent with the objective to allow the PEPP saver to recoup the capital) and a level playing field between the different providers, it is essential that the pricing of the guarantee is defined in a transparent way. In the absence of such a methodology, Unipol Group is of the opinion that **transparency and comparability are ensured by representing and calculating separately the premium charged for the guarantees**. In the current low interest rates environment, **it has become extremely costly to offer guaranteed products**. The International Monetary Fund (IMF), for example, has looked at the issue in the "IMF, Global Financial Stability Report: Lower for Longer" (October 2019), where it attempts to provide a comprehensive assessment of financial vulnerabilities and to identify the required action by policymakers. In this context, the report finds that very low rates are prompting investors to search for yield and take on riskier and more illiquid assets to generate targeted returns. According to the IMF, those vulnerabilities among institutional investors can be addressed through appropriate incentives and «*authorities should consider limiting risks associated with guaranteed benefits by adopting costsharing arrangements that link a portion of pension payouts to market performance*» In general, the IMF concludes in its report that «*policies serving as a disincentive to new life insurance products offering guaranteed returns should be considered*». Bearing this in mind, and the efforts which will be made by the different PEPP providers to offer the Basic PEPP with the limits and conditions set by the cost cap (*i.e.* 1%), it will be crucial for them to be able not to include the premium charged for the guarantee within the cost cap and to calculate the latter separately. between different types of providers, including in a cross-border way. With this respect, Unipol Group would like to share its concerns on the creation of a level playing field, which represents a priority to ensure the success of the launch of the new market, due to two main issues: taxation and conditions related to the decumulation phase. As regards taxation, Unipol Group is aware that it is in the remit of Member States' competence and that Member States are free to decide whether to give tax incentives to PEPP. Unipol Group takes note of the European Commission's recommendation addressed to Member States on the tax treatment of personal pension products, including the PEPP, to grant the PEPP the same tax relief as national personal pension products. However, given the non-binding nature of the recommendation, and the potential divergence of approaches on tax treatment that will be adopted by the Member States, there is a risk of uncertainty which PEPP providers will have to face when they design the product and calculate the costs.	

			A lack of a level playing field before the launch of the PEPP market is certainly an issue which will have to be solved. As regards the conditions related to the decumulation phase and the out-payments of the national sub-accounts, Unipol Group takes note of the fact that the PEPP Regulation leaves the decision to the Member States, including the minimum age for the start of the decumulation phase, of a maximum period before reaching the retirement age for joining a PEPP, as well as conditions for redemption before the minimum age for the start of the decumulation phase, in particular in case of particular hardship. However, also in this case, the Group recognizes that the clear divergence in this context will hamper in a way the creation of a true level playing field. In addition, PEPP providers – including those of small-medium size and those that do not have branches across Europe – will have to consider enough financial and human resources in order to be able to deal with the management of the different sub-accounts, given that each of them is subject to the law of the Member State for which the sub-account has been opened. Bearing this in mind, Unipol Group would like to point out to the attention of the EIOPA the importance to ensure consistency, truly harmonized standards where feasible, and to avoid introducing additional layers of administrative burdens, in order to ease the launch of the new market and to make it sustainable in the long term.	

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