

OPSG

OCCUPATIONAL PENSIONS STAKEHOLDER GROUP

OPSG Comments on the Revision of the PEPP

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The OPSG welcomes the European Commission’s initiative to revise the regulatory framework governing the PEPP. The proposed reform represents an important opportunity to make the product operational in practice and to align the framework with the realities of long-term savings markets across Member States.

Life-cycle investment strategies

The OPSG agrees that giving savers access to lifecycle strategies – making it practical for providers by removing the obligation to apply costly and uncertain stochastic modelling – would offer a meaningful step toward strengthening individuals’ long-term financial security.

Extensive empirical evidence demonstrates that lifecycle allocation constitutes an appropriate form of long-term retirement savings. As also highlighted in the OECD *Pensions Outlook 2024*, such strategies allow younger savers to benefit from exposure to growth-oriented assets while progressively reducing risk as retirement approaches, thereby mitigating sequencing risk and the potential impact of adverse market developments shortly before retirement.

This approach recognises that retirement saving is fundamentally different from short-term investing: savers typically lack the time, expertise and behavioural discipline to adjust allocations appropriately over decades. A well-designed default therefore significantly improves expected retirement outcomes without requiring active decision-making by individuals. At the same time, it would contribute to building a more robust European Savings and Investments Union. Too much household wealth remains locked in low-yield, unproductive assets. With a design focused on long-term value creation, the PEPP has the potential to become a powerful catalyst for change.

The OPSG recognises that capital-protected variants are present in several retirement savings markets and may reflect specific saver preferences. A broad majority of members consider that the Basic PEPP should rely on a life-cycle investment strategy, while capital-protected variants could be offered through tailored PEPP products. A few members note that guarantees should also be recognized as a risk mitigation technique under the Basic PEPP.

To ensure informed decision-making, the OPSG suggests that, prior to the conclusion of a Basic PEPP contract, providers or distributors inform savers of the availability of alternative PEPP designs, including capital-protected options, and provide clear and well-documented information on their characteristics, costs and long-term implications upon request.

Choice of risk profiles

In addition to the default, the OPSG considers it appropriate to allow savers to select among several broad risk profiles (e.g. prudent, balanced, dynamic), similar to the model implemented in the French PER.

Such a structure preserves simplicity while respecting heterogeneity in risk tolerance and retirement horizons. It would also allow higher-risk profiles to include a greater allocation to long-term and less liquid assets, including private and unlisted investments. Facilitating such investment is consistent with the broader objective of strengthening the Savings and Investments Union by mobilising household savings toward long-term productive capital. It

Removal of mandatory national sub-accounts

The OPSG supports the removal of the obligation for providers to establish national sub-accounts.

Requiring a pan-European operational infrastructure from the outset has proven to be a major entry barrier, particularly for smaller providers. Allowing providers to begin offering the PEPP in one Member State and expand cross-border as demand emerges reflects actual business models and reduces operational complexity.

This more flexible approach would significantly enhance market entry while maintaining portability for savers. In practice, portability should be understood as an outcome achieved progressively through market expansion rather than a precondition that prevents products from being launched.

This being said, some OPSG members consider that portability should remain a fundamental objective of the PEPP and that the PEPP would lose a significant part of its potential added value if the requirement to offer sub-accounts in at least two Member States is abandoned.

Some members consider that the provision allowing savers to continue contributing to the last sub-account opened in case the PEPP provider is not able to ensure the opening of a new sub-account corresponding to the PEPP's saver's new Member State of residence, created uncertainty for providers regarding the fiscal treatment of contributions paid by the savers in such cases. A solution should therefore be found to ensure legal clarity for providers and savers.

Access to advice

The OPSG supports the removal of the mandatory personalised advice requirement for the Basic PEPP, as such a requirement significantly increases distribution costs and has been one of the main factors limiting market availability.

The Basic PEPP is designed as a simple and standardised long-term retirement product that can be considered suitable by design for a broad range of savers. Removing the mandatory advice

requirement should therefore improve accessibility, particularly for lower-income households and younger savers who are currently underserved by long-term savings products.

At the same time, the OPSG agrees that in relation to the distribution of the Basic PEPP, savers should retain the possibility of obtaining advice, which can support informed long-term saving decisions, particularly for financially less experienced individuals.

While consumer representatives support the Commission's proposal that advice for the Basic PEPP should be provided only upon request and on an independent basis, other members have expressed concerns that such an approach could unintentionally limit access to the product in markets where the availability of independent advisers remains constrained. These members therefore advocate a proportionate approach focused on transparency rather than exclusivity, ensuring that savers clearly understand the nature of the advice received and any potential conflicts of interest.

Therefore, savers should be clearly and prominently informed, in an understandable manner, about:

- the type of advice being provided (independent or non-independent),
- the existence of any potential conflicts of interest,
- and the implications of receiving advice that may include product recommendations linked to remuneration arrangements.

Such transparency would enable informed decision-making while preserving broad access to the product.

In addition, the development of digital guidance tools, simplified information and educational material could further support informed decision-making, particularly for first-time savers.

Use of PEPP in workplace arrangements

The OPSG welcomes the possibility for Member States to allow PEPPs to be used in workplace pension arrangements, without prejudice to national social and labour law on the organisation of pension systems and the autonomy of social partners, including compulsory membership and the outcomes of collective bargaining agreements, and insofar as it does not interfere with the existing occupational pension schemes.

In several Member States, occupational pensions are well developed and operate within collectively agreed frameworks involving employers and social partners. For this reason, the OPSG considers it important that the introduction of workplace PEPPs should not undermine well-functioning second-pillar systems nor interfere with existing collective agreements.

At the same time, significant gaps in coverage remain across the Union, particularly among employees of small and medium-sized enterprises, mobile workers and the self-employed. In these

contexts, a workplace PEPP could serve as a complementary solution where no occupational pension is available.

Where PEPPs are implemented in a workplace setting:

- Member States should retain flexibility in how they integrate them into national pension structures,
- and existing occupational schemes should not be displaced.

The regulatory framework should ensure that PEPP-based workplace solutions operate under conditions that avoid regulatory arbitrage vis-à-vis established IORP arrangements.

The OPSG therefore views workplace PEPP primarily as a supplementary tool to extend coverage rather than as a substitute for established occupational pension arrangements. Some OPSG members believe that if PEPP were to be used in auto-enrolment frameworks, consideration should be given to allow savers to select among several type of investment solutions.

Flexibility to offer Basic and/or Tailored PEPP

The OPSG supports the removal of the obligation to offer both a Basic and a Tailored PEPP.

Allowing providers to offer either product, or both, lowers entry barriers, accommodates different business models and encourages innovation. A one-size-fits-all obligation risks deterring providers that are capable of offering only one of the two models.

Where a provider offers only a Tailored PEPP, which may involve higher costs, it should inform the consumer that a Basic PEPP is not available from that provider. This ensures that the consumer is aware that a lower-cost Basic PEPP may be available from another provider.

Decumulation phase

The OPSG notes that, while the Commission's proposal strengthens pre-retirement information requirements and extends retirement planning support to all PEPP savers, it makes no changes to the substantive decumulation framework, leaving payout arrangements to Member States and contractual terms. While the OPSG recognises the rationale for national flexibility in this area, it considers that the long-term success of the PEPP as a retirement income product will depend on ensuring that savers have access to adequate payout options — including income-providing arrangements such as annuities and drawdown payments — and not only lump sums. The OPSG therefore recommends that decumulation options are addressed as a priority in any future review of the PEPP framework.

Transfer rights

The OPSG supports strengthened transfer rights because this would enable a gradual shift from national personal pension products that offer less value for money to PEPPs, which provide greater potential benefits. This being said, effective individual pension transfers require that savers receive clear and comparable information on risk, objectives, costs and past performance, so they can make informed decisions and avoid outcomes that could widen pension gaps or weaken trust in supplementary pensions.

The OPSG notes that Articles 56a and 56b appear to facilitate transfers from national personal pension products to a PEPP, while not providing an equivalent general right to transfer from a PEPP to a national personal pension product, except in cases of deregistration. In the OPSG's view, transferability rules should be symmetrical, irrespective of the direction of the transfer between national personal pension products and PEPPs. The right to transfer should primarily be subject to a value-for-money assessment based on meaningful comparability between products, while avoiding undue legal constraints that could limit savers' ability to make informed choices. Free transfers in the event of provider deregistration and the ability to transfer assets from other personal pension products into a PEPP without discriminatory charges represent important safeguards for savers. Tax neutrality of transfers is essential to ensure equal treatment with national products.

However, safeguards should remain to discourage excessively frequent switching that could undermine long-term investment strategies and increase costs.

The OPSG would like to highlight that the transferability between existing personal pension products of different Member States is technically challenging due to different national tax and social security frameworks. Clear, standardised transfer procedures should also be developed to ensure predictability for savers and operational certainty for providers.

Workplace PEPPs should be included in a framework ensuring full transferability of pension rights, provided that this does not prejudice national social and labour law governing pension systems or the autonomy of social partners, including compulsory membership and collective bargaining arrangements, and does not interfere with existing occupational pension schemes.

As national occupational pension rights are already transferable in most Member States, transfers should be possible both from and to IORPs in order to ensure continuity of pension savings across different employment situations and national contexts. This could be particularly relevant when a worker leaves an IORP due to relocation to another Member State where a workplace PEPP sub-account is available, or when a worker previously affiliated with a workplace PEPP moves to a country where such a scheme is not offered and chooses to join a local IORP.

Risk disclosure and modelling

The OPSG supports the removal of mandatory stochastic modelling and the proposed simplification of risk-return disclosures.

Highly technical modelling requirements increase costs while providing limited benefit to retail savers, who often struggle to interpret probabilistic projections. Presenting understandable historical performance information may offer a more meaningful basis for decision-making than complex forward-looking scenarios.

The OPSG therefore encourages reconsidering the use of stochastic modelling also in the Pension Benefit Statement.

This being said, the regulatory framework should remain neutral as to modelling technique, ensuring that providers retain the flexibility to use well-established actuarial tools where these support sound product design and risk monitoring.

Fees and consumer protection

The majority of OPSG members recognises that the level of fees is a central concern for savers. Ensuring that retirement savings products remain affordable and capable of delivering adequate outcomes is essential for building trust and encouraging participation.

While the 1% fee cap for the Basic PEPP was introduced with a clear consumer-protection objective, experience since the adoption of the Regulation indicates that the cap has significantly discouraged providers from entering the market. Personal pension products differ structurally from occupational schemes: providers face individual distribution costs, irregular contributions, individual account servicing obligations and regulatory compliance expenses that cannot easily be accommodated within a uniform cap calibrated on assumptions closer to large collective arrangements.

As a consequence, the cap may unintentionally reduce consumer choice and access by preventing market development altogether. A product that is not available in practice cannot benefit savers, regardless of its theoretical cost level or tax incentive.

While recognizing that these factors may have affected the commercial viability of the PEPP design, the consumer representatives point to the lack of any publicly available transparent quantitative analysis (such as detailed cost structures, break-even models, or margin analysis across different distribution channels) demonstrating that (a) distribution costs cannot be accommodated within the current 1% AuM fee cap, or (b) that they constitute a decisive barrier to market entry. They also point to the findings of the OPSG own initiative paper from 2024 “Pan-European Pension Product Market development, Challenges, Obstacles, Solution “ that clearly stated that broader barriers such as differences in legal and fiscal conditions imposed by the Member States on the national PPPs and PEPP - rather than the fee cap alone - have been the primary drivers of the limited take-up of PEPP.

They remain therefore convinced that in a current state of the market for Personal Pension Products, a fee cap, even softened, would still provide better guarantee of cost-efficiency.

More generally, the OPSG considers that promoting competition, online distribution including on an execution-only basis for the Basic PEPP, scalability and cross-border participation is likely to generate sustainable cost discipline over time and put the cost on a downward trend, possibly below the 1% threshold for the Basic PEPP.

However, this does not diminish the importance of fee transparency. On the contrary, the removal of the cap should be accompanied by strong disclosure requirements. Savers should receive clear, comparable and prominent information on all costs, including their long-term cumulative impact on retirement outcomes.

Value for Money

The OPSG agrees that savers must be effectively protected against products that deliver poor retirement outcomes and recognises the policy objective behind the proposed introduction of Value for Money (VfM) provisions.

While representatives of beneficiaries welcome a product approval process that would include a VfM assessment, some OPSG members express reservations regarding the assessment of value on an ex-ante basis at the stage of product design or approval.

The defining component of value for a pension product – long-term investment performance – can only be observed ex post over an extended time horizon. Pension products are inherently long-term in nature, and their outcomes depend on future market developments, investment decisions taken over decades, and the dynamic interaction between asset allocation, risk management and costs.

Some members believe that ex-ante benchmarking may therefore risk placing disproportionate emphasis on static and immediately measurable indicators — particularly fees — which, while important, do not in themselves determine retirement adequacy or long-term value creation. There is also a risk that such benchmarking could unintentionally favour overly conservative strategies that appear more robust in short-term comparisons but may generate insufficient long-term returns.

It is important that VfM is understood as more than just low cost. Indeed, the primary determinant of value for savers must remain long-term financial performance in real (inflation-adjusted) terms after all costs and fees. For retirement and long-term savings products, the ultimate measure of value is whether the product preserves and grows the purchasing power of savers' contributions over time.

Features such as a broad range of individual choices (covering savings and investment options, opt-in or opt-out flexibility, guarantees, etc), professional advice, and long-term security, may represent significant value-added benefits for some consumers. While these features may involve higher

charges, they deliver protection for savers, particularly those less familiar with financial products or with lower risk tolerance. A well-designed framework should recognise that higher costs can be justified by higher quality, more options with regard to product features, security, and better outcomes for members, depending on individual preferences. However, such features should only be considered value-enhancing where they contribute to improved long-term outcomes for savers and do not unduly erode returns through higher costs. In this sense, product design, advice, and additional services should support, not substitute for, the core objective of delivering strong net real returns for savers.

According to some OPSG members the proposed integration of the benchmarks in the POG process leads to price control and is not in line with the direction of the discussions ongoing on the RIS. Moreover, given the very limited number of PEPPs currently available, the market is not yet sufficiently developed to support robust, stable and meaningful peer comparisons.

In this context, the OPSG considers that consumer protection could be additionally strengthened through:

- robust and transparent disclosure of all costs,
- clear and standardised reporting of realised performance over time,
- enhanced comparability between products
- and consistent communication of the long-term impact of both costs and investment strategy on retirement outcomes.

Such an approach would enable savers to assess value on the basis of observed outcomes rather than projected indicators, while preserving the flexibility necessary for providers to pursue long-term investment strategies capable of generating adequate retirement income.

Tax treatment

Finally, the OPSG emphasises that favourable tax treatment will be critical to the success of the revised PEPP. Experience across Member States shows that voluntary retirement savings products are strongly influenced by tax incentives. Without the same fiscal treatment than for national pension products, uptake will remain limited regardless of regulatory improvements.

With this regard, workplace PEPPs, provided that they not prejudice national social and labour law governing the organisation of pension systems and the autonomy of social partners, including compulsory membership and the outcomes of collective bargaining agreements, and insofar as they do not interfere with the existing occupational pension schemes, should benefit from a tax treatment comparable to that applicable to occupational pension schemes in Member States, especially if they are allowed to be part of national auto-enrolment systems.

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