

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
Name of Company:	<b>Bulgarian Association of supplementary pension security companies /BASPSC/</b>  Head office: 91 V. Levski Blvd., Fl. 3 Sofia - 1000, Bulgaria Tel.: (+359 2) 980 76 45, Fax: (+359 2) 989 08 66 e-mail: office@pension.bg, www.assoc.pension.bg	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.  <i>Please indicate if your comments on this CP should be treated as confidential, by deleting the word <b>Public</b> in the column to the right and by inserting the word <b>Confidential</b>.</i>	<b>Public</b>
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ <u>Do not change the numbering</u> in the column "question"; if you change numbering, your comments cannot be processed by our IT tool.</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.               <ul style="list-style-type: none"> <li>○ If your comment refers to multiple questions, please insert your comment at the first relevant question and mention in your comment to which other questions this also applies.</li> <li>○ If your comment refers to parts of a question, please indicate this in the comment itself.</li> </ul> </li> </ul> <p><b>Please send the completed template, <u>in Word Format</u>, to <a href="mailto:personalpensions@eiopa.europa.eu">personalpensions@eiopa.europa.eu</a>. Our IT tool does not allow processing of any other formats.</b></p>		

**Comments Template for  
Discussion paper on a possible EU-single market for personal pension  
products**

**Deadline  
16 August 2013  
18:00 CET**

Question	Comment	
General Comment		
Q1	<p>We find the list of schemes included under the proposed PPP roof rather extended and the list of common features incomplete. When we define PPPs as part of the single market, we must add at least two “market” features of this plan: 7. The member is free to choose the main PPP features negotiating freely with the provider; 8. Participation is not mandatory by law.</p> <p>Mandatory pillar 1bis plans should explicitly be excluded from the scope of this discussion because all the individual elements in them are technical rather than constituent features, i.e. individual choice of a pension company and individual tracking of accumulated capital in individual accounts do not make them personal pension products offered to the public as financial or insurance market products. Moreover, in mandatory pillar 1bis no market products are offered. What members obtain from such pension funds (PFs) is strictly mandated by law with imperative legal norms and identical to all the pension companies responsible for PF administration and asset management. Mandatory pillar 1 bis plans represent that part of the social security which is provided on a funded basis in order to counterbalance the drawbacks of its PAYG part, thus ensuring financial sustainability in the first pillar of retirement provision.</p>	
Q2	<p>EIOPA should focus on both DC and DB plans. Otherwise, if focusing on DC only, DC-predominated CEEC will come up with a single market, whereas the DB-burdened Old Europe will still remain patchworked by nationally fenced legislative regimes impeding single market operation. Personal freedom of movement and freedom of choice should be provided for. Segregation of the assets of the sponsoring undertaking, the pension fund and the managing pension company, immediate vesting and free portability of accrued pension rights are the key elements of a secure single market for both DC and DB PPPs.</p>	
Q3	<p>Existing European prudential regulation should be harmonized rather than additional prudential requirements being imposed in cases where the provider of certain PPPs is already subject to European prudential regulation.</p>	
Q4	<p>Free movement of labour and capital. Greater work efficiency – having those freedoms in the contemporary electronic era employees will follow their professional “passion”, not their</p>	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	occupational “pension” when they move from one employer to another in the EU, thus allocating their labour force to the workplace best suited to their professional qualification and experience rather than best adapted to the terms and conditions of the type of occupational scheme mainly offered so far.	
Q5	<p>Hosting members only on an individual basis is not the conclusive criterion for the plan being personal. This definition is too general and may well include pillar 1 social security scheme where individual tracking of contribution payment is also made. For a pension plan to be personal there should be individual initiative in contacting a pension provider, negotiation on the products offered, and free personal choice of products. Pillar 1 bis plans are to be explicitly excluded from the definition as they imply a legal obligation rather than personal initiative and as there is no pension product choice (actually there are no market products in the pillar 1 bis because all the features of the plan which might be product constituent are laid down as legal mandatory obligations). Imperative legal norms determine all material aspects of the plan: rate and collection of the contributions ; minimal return guarantees ; types, rates and terms of benefits ; rights of participants and successors. Collection and taxation of contributions for pillar 1 bis is identical to contributions for pillar 1 contributions. First pillar bis schemes may not be treated as financial and/or insurance-type of products sold on the market. They represent that portion of social security administered on a funded basis which supplements the traditional 1st pillar – typically financed on a PAYG basis. Neither of the definitions is correct as it is not possible for the diverse EU pension landscape to be reflected in one definition based on the simple personal indication. Moreover, the definitions quoted put together pension plans with entirely different philosophy and purpose of establishment into one and the same artificial category of “personal“. The wording of the definition should combine technical and constituent features. The technical mechanism of individual functioning of pension schemes should not override the constituent features of their country-specific philosophy and purpose of establishment. The OECD definition however contains important characteristics of the plans as it states: “Individuals... purchase and select material aspects of the arrangement.” We therefore propose the following definition: “PPP – a pension plan, the main features of which are chosen by the individual member.”</p>	
Q6	If a pension product is chosen by an employer it is not personal. The employer involvement in the process is due to certain benefits (purely financial and/or not directly financial) which they expect	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	to obtain, i.e. – certain tax reliefs and/or conducting a personnel policy aimed at fostering greater employee involvement, loyalty, work performance and finally – greater corporate profits. In pursuit of certain gains the employer uses the pension product chosen as an employer instrument, thus it is not a personal product. In brief, claiming that a product chosen by an employer for the employees is a personal product is analogous to claiming that personal computers in an office (again chosen and paid for by an employer) are personal items. They are just technical instruments for facilitating and tracking the individual employee work much like the individually accumulated capital in employees’ pension accounts with a provider chosen by an employer. Nevertheless, the fact that pension products chosen by an employer are not personal does not automatically make them occupational. The latter requires greater involvement on behalf of the sponsoring underaking in stipulating the terms and conditions of retirement provision together with the employees concerned. In the lack of collective agreement between employers and employees, employer-chosen pension plans cannot be treated as identical to the occupational ones.	
Q7	<p>We do not accept the statement that 1st pillar bis plans are not covered by EU law. Being part of the social security, they come under Regulation 884/2003. Should further legislative amendments are considered necessary, it is Regulation 884/2003 which is to be reviewed rather than classifying those plans as currently unregulated. The IORP Directive applies to the occupational pension plans, i.e. those which are not personal. Provided the national law has established the appropriate legal framework, i.e. separate legal entities for personal pension funds and occupational pension funds, the managing pension company (which is also a separate legal entity) does not feel any burden to apply the different set of rules to occupational and PPP products. As long as legal segregation of the entities is observed, the provision of both occupational and personal pension plans by the same pension company through separate legal vehicles brings economies of scale and better value to members.</p> <p>The wording of this question wrongly presumes that 1st pillar bis plans and certain PPPs closely linked to occupational plans are unregulated. It demonstrates penetration into the national labour and social laws by reorganizing them in the way that best suits an already formed opinion that there are arrangements in CEEC which are to be sanctioned. This question should be preceded by another one asking if there are unregulated plans and which they are.</p>	
Q8	EIOPA should definitely consider developing a framework for transferability of accumulated	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	capital for passported PPPs. Passporting is the first step to a single PPP market, transferability is the next one. The main obstacles – various transfer forms, lack of general common rules and procedure, lack of a EU transfer coordination and information centre helping members with their transfer inquiries. The introduction of a common set of transfer rules, as well as common transfer application forms will save time and effort for transferring clients to understand their rights, options and transfer procedure. The benefits of a transferability framework may be identified as follows: free movement of labour and capital; greater work efficiency – having those freedoms employees will follow their professional “passion”, not their occupational “pension” when they move from one employer to another in the EU, thus allocating their labour force to the workplace best suited to their professional qualification and experience. The establishment of a EU PPP transfer information and coordination centre will help in strengthening the single market operation.	
Q9	The prudential obstacles for creating a cross-border market for PPPs are related to the minimum yielded guarantee levels, the different technical provision requirements, the actuarial tables used. However, once the single market is open, all the prudential obstacles mentioned will gradually be overcome due to the market competition forces which will make member states change their national prudential rules in order to remain competitive. We consider the establishment of separate institutions specifically designated for the management of pension funds as a great achievement of the PPP single market institutional infrastructure.	
Q10	It is feasible to develop a cross-border framework for PPPs with guarantees. Guarantees in PPPs are part of the competitive features of national products. Thus, the introduction of a single market in PPFs is not only the aim but also the means for fostering competition and achieving an evolutionary harmonisation.	
Q11	No other tax obstacles are identified. It is possible for these obstacles to be eliminated in practice.	
Q12	Reluctantly.	
Q13	The principle of non-discrimination in taxation of financial products, as developed by the CJEU, is not sufficient on its own to remove the tax obstacle to the cross-border functioning of PPPs. Specific amendments are to be made in national laws for practical implementation of tax non-discrimination.	
Q14	Transferability does not necessarily require immediate harmonisation of the tax treatment of	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	<p>pensions across MSs. It is much feasible to believe that competitive market forces will bring about the necessary changes.</p> <p>As far as 1st pillar bis is concerned, the tax treatment of 1st pillar bis schemes is identical to the tax treatment of 1st pillar. Harmonisation of the tax treatment of 1st pillar bis means harmonisation of 1st pillar pension taxation. The latter may be feasible only after reform of EU Primary legislation.</p>	
Q15	Lack of specific cross-border coordination in this respect among the relevant national tax authorities.	
Q16	<p>Being integral part of the national social security system, 1st pillar bis retirement provision may not be part of a single market as such a proposal is identical to claiming that there could be a common market for 1st pillar pensions. The lack of funds in a certain MS's national social security institute (first-pillar pension administrator) makes it really tempting to extend the current discussion even further: if 1st pillar bis may be marketed within a single EU market, why should there not be a common market for the entire 1st pillar pensions. The way of funding in 1st pillar and 1st pillar bis is not a material differentiator to what may be marketed on a common EU basis. Both 1st pillar and 1st pillar bis segments of retirement provision are based on a common philosophy pertaining to the specific national social and labour law. No market benefits are observed. Marketing 1st pillar bis across MSs would allow some pension providers to get access to 1st pillar assets of another country without having the same access to such 1st pillar assets of their home country. The challenges posed in the MSs which have no 1st pillar bis may be overcome by the introduction of a mandatory 1st pillar bis system in their national laws, which at EU level requires changes in Primary legislation.</p>	
Q17	The question wrongly presumes that there are unregulated PPPs. It should be preceded by clarification on the issue of the so called unregulated products.	
Q18	A passport is needed to identify an entity in an analogous realm, i.e. another MS sphere of economic activity. In the lack of 1st pillar bis type of retirement provision in western Europe (established on the basis of diverting 1st pillar contributions) would mean for CEEC pension providers to have passports but not 1st pillar bis realm in western Europe to identify themselves with. The relevance of such a 1st pillar bis passporting with regard to western Europe pension money looks like the relevance of a sailing-boat permission with regard to one's journey in Sahara. So cross-border management of 1st pillar bis schemes means that western EU managers	

**Comments Template for  
Discussion paper on a possible EU-single market for personal pension  
products**

**Deadline  
16 August 2013  
18:00 CET**

	<p>of pension money would be able to manage directly an additional, easily accumulated pension capital from CEEC (without having the analogous access to such 1st pillar assets in their home countries), whereas their CEE counterparties would not have such a 1st pillar bis pot of money in western Europe to compete for. Put it briefly, cross-border management of 1st pillar bis pension money will drain the scarce pension resources of CEEC for the benefit of Western Europe. However, the proposal of a single EU pension market should be compatible with the preservation of geographical balance in its development.</p> <p>EIOPA cannot consider the possibility to create a framework for cross-border management of 1st pillar bis schemes without reasonably justifying its interference into the national social and labour laws. Obviously, a discussion about a cross-border management of 1st pillar bis schemes will further incentivise national governments to close the funded portion of their social security system for good and claim its transfer back from the private administrators to the national social security institutions. The latter would lead to a loss of pension business for the foreign shareholders of CEEC pension providers.</p> <p>1st pillar bis schemes may not be treated as financial and/or insurance-type of products sold on the market. They represent the portion of social security administered on a funded basis which supplements the traditional 1st pillar – typically financed on a PAYG basis.</p> <p>The money in 1st pillar bis schemes is part of the entire national resource financing the basic layer of retirement income for the citizens of the respective MS. The entire philosophy of 1st pillar bis is totally incompatible with UCITS. National governments have definitely not diverted part of the 1st pillar contribution for the citizens to buy UCITS products.</p>	
Q19	<p>Passporting of PPPs is only relevant for comparable personal pension products as such. Supplementary retirement provision which operates on an individual basis does not automatically become a PPP. The main obstacle is the impression that 1st pillar bis products are being pushed to a PPP-treatment.</p>	
Q20	<p>A 2<sup>nd</sup> regime functioning in parallel with the national systems would be a better solution for developing a single market in PPPs. National specifics are preserved. It is a tool for the gradual convergence of national systems. It provides an additional option for businesses and citizens. The implementation of a 2<sup>nd</sup> regime would not be burdensome for providers in CEEC which are currently managing 1st pillar bis schemes, occupational schemes and individual schemes (each one structured as a separate legal entity). Such providers will simply need to add up a new type of</p>	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	scheme offered – a EU PPP. The 2nd regime is more appropriate because it will impose uniform rules which will be parallel, optional, and will not threaten domestic products and the existing national regimes. Though it might be a little bit slow, a 2 <sup>nd</sup> regime has one unambiguous success advantage – it will be parallel, i.e. without intercepting the natural course of national regime developments.	
Q21	The 2 <sup>nd</sup> regime should be designed as a fully funded DC scheme with individual capitalisation accounts, a minimum investment yield guarantee, immediate vesting and free portability. The liberal vesting and portability rules will appeal to the individuals, whereas the minimum guarantees on behalf of the provider will be accepted by providers, and a critical mass of both individuals and providers will be attracted.	
Q22	The 2 <sup>nd</sup> regime might be implemented without harmonisation of national tax legislation – through an agreement between the member state and the provider setting out the obligations of the provider in terms of the provision of information and the collection of taxes. The 2 <sup>nd</sup> regime should also address the different investment rules and limits in MSs, including individual investment choice and management of multifunds. The best way to achieve uniform investment rules is through a Regulation. However, the application of a prudent person rule rather than explicit investment limits could be required through a Directive.	
Q23	<p>The rules applicable to providers should aim at pension fund financial security, prudent management and transparency.</p> <p>The accumulation phase should be based on a DC with minimum investment yield guarantee. The pure DC would be the easiest type of scheme for providers, however it is hardly unlikely for such a solution to attract a critical mass of participants. DC with guarantees is more difficult for providers but it is feasible. DB schemes do not enjoy a good reputation nowadays due to the mass closure of such schemes in western Europe – no critical mass of providers will be provided if such a scheme becomes the EU 2<sup>nd</sup> regime. Hybrid schemes are much complex for both individuals and providers.</p> <p>The pay-out phase should include not only annuities but also programmed withdrawals and lump-sum payments. It is with the PPP that the free personal choice of the type of benefit is more than appropriate and necessary for the attraction of a critical mass of participants.</p> <p>The product design should include the possibility for a participant to choose among different investment options, with a default option in case of no individual choice. A more conservative life-</p>	



<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	<p>cycle related investment option could also be considered as an automatic safeguard against people's myopia to spend their pension pots quickly and unwisely.</p> <p>The 2<sup>nd</sup> regime should be based on maximum transparency, as well as easy and regular disclosure of information to participants. Transparency, simplicity, and comprehensiveness of the information provided are necessary.</p>	
Q24	<p>The 2<sup>nd</sup> regime should comprise product rules as well as rules for the establishment and prudent management of providers. The 2<sup>nd</sup> regime should prefer only DC schemes. This will enable a modern, personally oriented scheme with undisturbed cross-border portability stimulating work mobility.</p>	
Q25	<p>The providers willing to operate on a cross-border basis will have to apply common prudential rules. Thus, no matter how different providers are in their current company architecture, they will actually look like quite similar with regard to the cross-border PPPs offered. The common way of calculating technical provisions will be the natural consequence of the introduction of a 2<sup>nd</sup> regime.</p> <p>As long as there is a legal requirement for legal segregation of the assets of providers from the PF assets, the capital needed for the providers managing PPPs should be the same.</p>	
Q26	<p>The information provided to PPP holders should be accurate, timely and comprehensible. It should ensure that a PPP holder is duly informed throughout different phases up to retirement. In order to help PPP holders to make sensible decisions, the information should be presented through the principle of layering, i.e. essential information first, then information which is important but not essential, and finally information which is just nice to have.</p> <p>The main difference with occupational pension is that PPPs are designed for people on an individual basis. As no sponsoring undertaking is involved, PPP holders often use rules of thumb to quickly go through a particular piece of information. Thus, the disclosure of the standard comparable key information should be more personalised and presented in such a way that it is clear, fair and not misleading to an individual consumer rather than a sponsoring undertaking.</p>	
Q27	<p>In the pre-contractual phase PPP holders should know the contribution rates, information disclosure rules, possibilities to switch between providers, investment options, as well as benefit payment options which are to be expected in the pay-out phase. In this phase, PPP holders must be informed about the cost of the PPP they are considering to buy.</p> <p>PPP holders should know at least some basics of the national legal framework regarding pension</p>	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	products as well as the respectively related cross-border implications. Additional and easy general information on the EU market development and investment yield trends should be available and easy to find with the PPP provider.	
Q28	„Must know“: contribution rates, possibilities to swich between providers, investment options, benefit payment options in the pay-out phase, cost of the PPP „Should know“: basics of the national legal framework regarding pension products as well as the respectively related cross-border implications. „Nice to know“: EU market development and investment yield trends. The best way to make it easy for PPP holders to find their way through the different layers is by appropriate design of communication strategies. A brief information sheet of paper may lead potential PPP holders through the first layer. The basics of the national legal framework regarding pension products as well as the respectively related cross-border implications (the second layer) may be open to potential PPP holders through the links quoted on the information sheet of paper provided for on the first layer. The „nice to know“ info may be provided during subsequent correspondence or face-to-face meetings.	
Q29	All the questons, of couse sifted through a personal gauge.	
Q30	A Personal Key Information Document should be developed (PKID ) for PPPs analogous to the KII/KID documents advised by EIOPA in the review of the IORP Directive. However, bearing in mind the individual characteristics of the PPP, the PKID should be designed in such a way as to meet the specific requirements of each particular PPP holder rather than an occupationally identified group of members with a given sponsoring undertaking of an occupational scheme. The behavioural purpose pursued, i.e. „what consumers need to do with the information“, is to help PPP holders take prudent decisions relying on a dynamic, easily accessible and individually adaptable information base. It should be achieved not through printed-out leaflets generalizing typical questions, but through a web-based application allowing PPP holders to obtain individually modelled PKID on the basis of their particular inquiries.	
Q31	Typical risk-reward profiles are difficult to apply directly to PPPs. The underlying difference between PPPs and pure investment products is that PPPs are PENSION products. The ultimate aim is to provide adequate retirement income (usually for life) after a contribution period of about 30 – 40 years. Investment options of a PPP are always measured not only against the risk-reward profile but also against the particular time horizon. As the underlying aim is to provide for a	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	secure stream of income for a substantial period of time after 30-40 years of asset accumulation, all the risk-reward profiling should be done in compliance with appropriate life-cycling of the investment option design.	
Q32	The investment horizon (as in target-date funds) provides a better guidance for potential members than the pure risk-reward ranking that is used for UCITs. In target-date funds, the target date is key (e.g. retirement) whereas UCITs aim at obtaining greater reward for a minimum level of risk without exactly targeting retirement date and the related need to have a sufficient regular stream of income afterwards to sustain one's living.	
Q33	The information provided in respect of costs should be accurate, timely and comprehensible. The „ex-ante“ cost should be disclosed in the PKID whereas the actually levied costs may be disclosed „ex-post“ in the annual statements. Investment transaction costs are too detailed information which requires much more specific financial knowledge to understand. If a PPP holder lacks the necessary proper financial background, any disclosure of investment transaction particulars may be misunderstood and may lead to disturbing uncertainty about the whole idea of cost disclosure. The best way to present this information is through a web-based application where the cost-related piece of information may easily be disclosed in an interactive and more illustrative way.	
Q34	The presentation of illustrative pension projections may not readily be classified as a useful tool to understand the risks and performance of the product. Such projections may even cause damage to the PPP holder trust in the respective provider because regardless of the fact that all those projections are made under explicitly listed assumptions, finally PPP holders claim not to have paid the necessary attention to those assumptions or not to have understood them at all. In the end, what is crucial for the decision to buy a PPP is the final result of the illustration which is hardly compatible with the result of another illustrative example made by another provider. It may bring about unwanted distortion of the market. However, pension projections should be provided at any time through a readily accessible and interactive web-based application. The provider specific assumptions should be explicitly visible, and the PPF holder should have control to modify all the additional assumptions like contribution rate, contribution payment period etc. Thus, the projection should become personal.	
Q35	Electronic disclosure of information. Password secured on-line web-based applications would best ensure an easily available access to an overview of personal pension entitlements.	
Q36	Pre-contractual information should be presented through paper and internet. The paper should	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	be restricted as much as possible and should not exceed one page. Only some key points and hints should be provided on paper. For the respective details the information sheet of paper should direct to the appropriate link on the PPP provider website. Paper will be used in subsequent face-to-face meetings, mainly in response to specific questions sent by the potential PPP holder. However, more extensive pre-contractual information should definitely be provided on electronic hard carriers rather than in heaps of paper.	
Q37	The standard portion of the information should be kept to the minimum. Individually tailored presentation of the pre-contractual information is determined by the personal character of the pension product and the relevant personal choice of contribution rates, contribution payment period, investment options and types of benefits available throughout the pay-out period.	
Q38	All the promotional materials /marketing communications/ advertising of PPPs should be accurate, easily available, timely and comprehensible.	
Q39	The legal regulation of CEEC third-pillar personal VPFs (voluntary pension funds) can be a source of inspiration for PPP. The size of the local pension markets is irrelevant to the appropriateness of the national legal framework for EU inspiration. For example, Bulgaria is one of the few countries where there is a Ruling of the national Constitutional Court against nationalisation of private pension funds.	
Q40	The information actively provided during the accumulation phase should contain: contribution rates, fees deducted, investment yield allocated, investment options, switching opportunity.	
Q41	If a layering of information is introduced, the information contained in the different layers should be as follows : „Must know“ layer – contribution rates, possibilities to switch between providers, investment options, benefit payment options in the pay-out phase, cost of the PPP „Should know“ layer – basics of the national legal framework regarding pension products as well as the respectively related cross-border implications. „Nice to know“ layer – EU market development and investment yield trends. The best way to make it easy for PPP holders to find their way through the different layers is by appropriate design of communication strategies. A brief information sheet of paper may lead potential PPP holders through the first layer. The basics of the national legal framework regarding pension products as well as the respectively related cross-border implications (the second layer) may be open to potential PPP holders through the links quoted on the information sheet of paper	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	provided for on the first layer. The „nice to know“ info may be provided during subsequent correspondence or face-to-face meetings.	
Q42	The presentation of illustrative pension projections may not readily be classified as a useful tool to understand the risks and performance of the product. Such projections may even cause damage to the PPP holder trust in the respective provider because regardless of the fact that all those projections are made under explicitly listed assumptions, finally PPP holders claim not to have paid the necessary attention to those assumptions or not to have understood them at all. In the end, what is crucial for the decision to buy a PPP is the final result of the illustration which is hardly compatible with the result of another illustrative exmple made by another provider. It may bring about unwanted distortion of the market. However, pension projections should be provided at any time through a readily accessible and interactive web-based application. The provider specific assumptions should be explicitly visible, and the PPF holder should have control to modify all the additional assumptions like contribution rate, contribution payment period etc. Thus, the projection should become personal.	
Q43	Upon switching and before termination, the following information should be provided to the PPP holder: Contribution record (date and amount of contribution payment), fees deducted, investment yield allocated, individual account accumulation currently available. Projection for benefit payment options if no termination and/or switching to another fund is made.	
Q44	The independence of the other pension pillars make it impossible or hardly achievable for a PPP provider to deliver information on pension pillars outside the PPP scheme.	
Q45	Tracking services should be done through an independent Pension Services System operating throughout the EU. National Social Security administrations provide good examples in this respect for the purpose of the application of Regulation 883/2004.	
Q46	The format of information should be standardised to the extent of the provision of easily comparable data. However, flexible presentation of on-going information is also needed in order to allow for adaptation to the current market fluctuations.	
Q47	On-going information should be presented electronically: on the provider's webpage or to the PPP holder's e-mail. It will allow greater flexibility, transparency and accessibility to the latest possible information update.	
Q48	The annual frequency of presenting on-going information is in conformity with the long-term investment horizon of pension funds and will protect PPP holders from ambiguous and sometimes	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	perversely interpreted current short-term investment results.	
Q49	Specific information provision would be necessary upon changes in life events and upon contractual changes. Taxation and/or other regulatory changes may require specific information provision but upon PPP holder's request. Otherwise, PPP provider may run the risk of becoming a legal advisor rather than a pension provider.	
Q50	It should be possible for any information to be provided on request.	
Q51	A possible connection of the on-going information requirements with the implementation of tracking services depends on how the tracking services are structured and organised in the first place. The implementation of tracking services requires a well organised trans-institutional and cross-border cooperation.	
Q52	Ear-marked specific additional disclosure requirements for PPP holders that are approaching retirement might send a rather negative signal to PPP holders reminding them they are expected to start withdrawing their money. Postponing retirement is expected to give greater value to their retirement pot. The relevant information like benefit options, taxation implications etc. is to be available at any time upon PPP holder's request. Its provision through the PPP provider's website is to be implemented in a password accessible interactive way.	
Q53	If a layering of information is introduced, the information contained in the different layers should be as follows : „Must know“ layer – contribution rates, possibilities to switch between providers, investment options, benefit payment options in the pay-out phase, cost of the PPP „Should know“ layer – basics of the national legal framework regarding pension products as well as the respectively related cross-border implications. „Nice to know“ layer – EU market development and investment yield trends The best way to make it easy for PPP holders to find their way through the different layers is by appropriate design of communication strategies. A brief information sheet of paper may lead potential PPP holders through the first layer. The basics of the national legal framework regarding pension products as well as the respectively related cross-border implications (the second layer) may be open to potential PPP holders through the links quoted on the information sheet of paper provided for on the first layer. The „nice to know“ info may be provided during subsequent correspondence or face-to-face meetings.	
Q54	Ear-marked specific additional disclosure requirements for the pay-out phase might send a rather	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	negative signal to PPP holders reminding them they are expected to start withdrawing their money. Postponing retirement is expected to give greater value to their retirement pot. The relevant information like benefit options, taxation implications etc. is to be available at any time upon PPP holder's request. Its provision through the PPP provider's website is to be implemented in a password accessible interactive way.	
Q55	<p>If a layering of information is introduced, the information contained in the different layers should be as follows :</p> <p>„Must know“ layer – contribution rates, possibilities to switch between providers, investment options, benefit payment options in the pay-out phase, cost of the PPP</p> <p>„Should know“ layer – basics of the national legal framework regarding pension products as well as the respectively related cross-border implications.</p> <p>„Nice to know“ layer – EU market development and investment yield trends</p> <p>The best way to make it easy for PPP holders to find their way through the different layers is by appropriate design of communication strategies. A brief information sheet of paper may lead potential PPP holders through the first layer. The basics of the national legal framework regarding pension products as well as the respectively related cross-border implications (the second layer) may be open to potential PPP holders through the links quoted on the information sheet of paper provided for on the first layer. The „nice to know“ info may be provided during subsequent correspondence or face-to-face meetings.</p>	
Q56	The highest level of protection is needed in the distribution process. Transparency, simplicity, and comprehensiveness of the information provided are necessary in the distribution process. A proper complaint registration, processing and monitoring system is crucial to the prevention of conflict of interests from adversely affecting the interests of PPP holders.	
Q57	Conflict of interest rules on selling practices as defined in MiFID and IMD2 are similar examples of EU regulation that cover this area already. The reasons to deviate from the distribution rules in IMD2 and MiFID lie in the founding question of how similar and/or different a PPP is in relation to financial instruments and insurance products. With no adequate sifting out the similarities and differences among financial/insurance and pension products, any possible direct copying of existing distribution rules may cause more damage to PPPs rather than provide for better solution for them.	
Q58	Selling practices (including advice for PPP) should be regulated by a Directive thus allowing for	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	local national rules and best practice in this respect to be adapted rather than confronted or jeopardised.	
Q59	The suitability of any investment for a particular client is not fit for personal pensions in the same concept of MiFID. Individual PPP holders should choose among different investment options offered by the PPP provider. Making the investment choice themselves, PPP holders are the ones to make sure their choice (or the default option) is fit for the personal pensions. Managers obtaining mandates for the investment of the PPP provider's pension funds should obtain the necessary information on objectives, financial situation, knowledge and experience so that they entirely fit the objective to provide for suitable retirement income.	
Q60	Avoiding conflict of interest is key to strengthening PPP holders' trust in the whole system. All conflict of interest rules should apply: requirements imposed within the organisation or by administrative means. Disclosure and remuneration requirements should be such as to guarantee transparency, prudence and fairness in PPP provider's operation. The tricky point in designing the remuneration requirements is in making them „journalist neutral“ to any eventual populist interpretations.	
Q61	In rendering their service distributors should provide dynamic, easily accessible and individually adaptable information base which is not through printed-out leaflets generalizing typical questions, but through a web-based application allowing PPP holders to obtain individually modelled info on the basis of their particular inquiries (firm status disclosure, performance, recent trends). In this way the advice given to PPP holders should not be „what to do“ but „how to assess“ their needs against the circumstances and possible options for their fulfillment.	
Q62	The highest level of customer protection is needed in the PPP provider's operation. Transparency, simplicity, and comprehensiveness of the information provided and management processes implemented are of key importance. A proper complaint registration, processing and monitoring system is crucial to the prevention of conflict of interests from adversely affecting the interests of PPP holders. Complaint handling should follow a legally prescribed standardised procedure so that PPP holders should always know how to act, as well as PPP providers on their behalf should know how to proceed without being accused of misconduct.	
Q63	Distribution rules for personal pensions as defined in MiFID I and II and IMD1 and 2 may serve as a possible inspiration in this area. The reasons to deviate from the distribution rules in the existing EU regulation lie in the founding question of how similar and/or different a PPP is in relation to	



<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	financial instruments and insurance products. With no adequate sifting out the similarities and differences among financial/insurance and pension products, any possible direct copying of existing distribution rules may cause more damage to PPPs rather than provide for better solution for them.	
Q64	PPP provision is a highly complex matter requiring meeting adequate professional standards. High level principles should be set in legislation. The more detailed regulation of professional requirements may be achieved through a PPP provider's Internal Rules stipulating the professional policy pursued in the organisation. Exaggerating the degree of details in regulation regarding professional requirements may prevent providers and advisors from selecting the best professionals who will meet their corporate history, culture and traditions, and this is crucial to their competitive market advantage among peers.	
Q65	In order to guarantee high quality throughout the whole life of a PPP, professional requirements should apply on a continuous basis with a regular update.	
Q66	Professional requirements (for example, the existing knowledge and ability requirementd) as currently defined in EU law may serve as a possible inspiration in this area. The reasons to deviate from existing rules lie in the founding question of how similar and/or different a PPP is in relation to financial instruments and insurance products. With no adequate sifting out the similarities and differences among financial/insurance and pension products, any possible direct copying of existing professional requirements may cause more damage to PPPs rather than provide for better solution for them. Appropriateness, adequacy and relevance are good points for consideration.	
Q67	The reasons to deviate from the protection level envisaged in IMD2 lie in the founding question of how similar and/or different a PPP is in relation to financial instruments and insurance products. With no adequate sifting out the similarities and differences among financial/insurance and pension products, any possible direct copying of existing protection requirements may cause more damage to PPPs rather than provide for better solution for them. For rendering appropriate, adequate and relevant services, taxation of contributions, investment yield and pension benefits is an important factor in determining the level of knowledge required.	
Q68	The product regulation in the context of the 2nd regime will foster the development of a modern, personally oriented scheme with undisturbed cross-border portability stimulating work mobility. Product regulation functioning in parallel with the national systems would be a better solution for	

<b>Comments Template for Discussion paper on a possible EU-single market for personal pension products</b>		<b>Deadline 16 August 2013 18:00 CET</b>
	developing a single market in PPPs imposing uniform rules which will be parallel, optional, and will not threaten domestic products and the existing national regimes . National specifics will be preserved. Personal pension product regulation will help in the gradual convergence of national systems. Too detailed product regulation, however, may deprive the EU market from the variety of PPPs offered – and the creative power of market competition. Absolute standardisation of a product may spur the monopolisation of the market.	
Q69	The establishment of principles for the steps and considerations the industry should take into account before launching a new product or modifying existing products may be treated as too much of interference with the product development. It is the PPP provider who decides what steps and considerations are to be taken relying on its corporate expertise in complying with the uniform rules of 2 <sup>nd</sup> regime PPP. The main consideration to be taken into account is that diversity allows for competitive market forces to set in. The development of critical mass and economies of scale, and/or the development of auto-enrolment may even be threatened by depriving PPP providers from their country-and-company specific innovative procedure in launching a new product or modifying existing products.	
Q70	It would be useful for PPP in the context of a 2 <sup>nd</sup> regime to be introduced as certified products. As national markets do have plenty of pension products and retirement arrangements, a PPP in the context of a 2 <sup>nd</sup> regime should be introduced on a EU level. Useful EU-level initiatives are the publication of discussion papers; public hearings held with stakeholders, public media awareness campaigns.	
Q71	Product authorization and product banning influence directly the protection mechanisms for PPP holders against PPPs that lead to poor pension outcomes. However, the authorization body, if not professional and publicly transparent, may turn the whole idea of authorization and/or banning into a nightmare for a competitive single market. Such bodies are usually the ones likely to blame for misconduct and corruption.	