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PRESS RELEASE

Actuarial Association of Europe comments on the Commission's proposal for an EU Regulation for a Pan-European Personal Pension (PEPP)

Brussels, 7 July 2017:

The Actuarial Association of Europe (AAE) welcomes the proposal to develop a PEPP as this could provide an option for consumers who wish to make additional savings for retirement, particularly in Member States where the personal pensions market is underdeveloped. However, the AAE considers that some amendments are needed to the proposal if the initiative is to be successful.

Philip Shier, Immediate Past Chairperson said "the AAE agrees that there should be a default option for consumers who are unable or unwilling to make a decision about how their savings should be invested, and experience shows that the majority of savers are invested in the default strategy. However, we think that a default option with a capital guarantee is not generally in the best interests of the consumer, because

- the value of such a guarantee is very small for a consumer saving over a period of 30 to 40 years
- the PEPP provider will be required to reserve for the guarantee, which will impact on the investment strategy followed and the costs which will be borne by the consumer
- this requirement may reduce the number of institutions who wish to become PEPP providers
- products without guarantees are easier to switch from one provider to another.

The AAE considers that long term savers should invest primarily in real assets such as equities which are expected to provide long term growth, with a transition to less volatile assets as the individual reaches retirement age, using a life cycling approach. The choice of default strategy in the accumulation period should also take into account the option which is selected for decumulation i.e. if the retirement proceeds are to be taken as a cash sum, it may be appropriate to transition to cash, but the best matching assets for an individual intending to purchase an annuity are high grade fixed income assets."

The AAE believes that the Regulation needs to address the design and regulation of the decumulation phase of the PEPP, rather than leaving this to national competent authorities.

- End of press release -

Notes for editors

1. For further information please contact Ad Kok, Chief Executive (tel. +32 2 201 60 21), aamkok@actuary.eu
2. Copies of all AAE press releases are available on the AAE website (www.actuary.eu)
3. The Actuarial Association of Europe (AAE) was established in 1978 under the name Groupe Consultatif to represent actuarial associations in Europe. Its purpose is to provide advice and opinions to the various organisations of the European Union - the Commission, the Council of Ministers, the European Parliament, the European Supervisors and their committees – on actuarial issues in European legislation. The AAE currently has 36 member associations in 35 European countries, representing over 22,000 actuaries. Advice and comments provided by the AAE on behalf of the European actuarial profession are totally independent of industry interests. The Actuarial Association of Europe is registered in the EU Transparency Register under number 550855911144-54