



# ACTUARIAL ASSOCIATION OF EUROPE

PEPP Regulation – update on activity

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# Timeline

- PEPP Regulation (finally) published in Official Journal on 25<sup>th</sup> July 2019
- Came into force 20 days later i.e. 14<sup>th</sup> August 2019
- Requirements for Regulatory Technical Standards (RTS) and Delegated Acts
- Deadline for EIOPA to develop RTS is 14<sup>th</sup> August 2020
- Regulation comes into effect on 14<sup>th</sup> August 2021

# AAE Activity

- At July meeting between AAE and EIOPA, EIOPA invited AAE to submit comments to assist with the development of the RTSs
- Board agreed that we should focus on three of the RTSs
  - KID
  - Benefit Statements
  - Risk Mitigating Techniques
- Working Parties set up to consider each of these issues
- Volunteers from Austria, Belgium, Bulgaria, Croatia, Germany, Greece, Hungary, Ireland, Lithuania, Slovakia
- Volunteers from other countries very welcome!
- WGs have held their initial LoopUp meetings in the last few days

# WG on PEPP Key Information Document (PEPP KID WG) – lead Katja Krol (DE)

- Article 28 of the Regulation sets out the Content of the PEPP KID.
- PEPP KID WG is required to prepare a submission to EIOPA setting out the AAE's views on the content of the PEPP KID, and in particular on risk indicators, performance scenarios, assumptions and calculation of costs.
- WG has considered a mock-up of a PEPP KID based on the PRIIPs KID and identified issues which need to be considered including
  - Appropriateness/usefulness of PRIIPs risk indicators for PEPP?
  - What is the risk to the customer? Shortfall at retirement?
  - Risk mitigation techniques are path dependent – inconsistent with performance scenarios based on past performance
  - Should projections be based on “forward looking” assumptions and if so, how?
  - Relevance of intermediate periods if surrender is not limited before retirement
  - Age-dependency of information.

# WG on PEPP Benefit Statement (PEPP KID BS) – lead Reinhold Kainhofer (AUT)

- Article 36 of the Regulation sets out the Content of the PEPP Benefit Statement which must be provided annually to PEPP savers during the accumulation phase. In particular, Paragraph 1(d) requires that it should include “information on pensions benefit projections ...”
- Paragraph 2 requires EIOPA to draft RTS specifying “the rules to determine the assumptions on pension benefit projections” for the purpose of Paragraph 1(d)
- PEPP KID WG is required to develop the AAE’s views on the rules to be used to determine the underlying assumptions for the projections.

# WG on PEPP Benefit Statement (PEPP KID BS) – lead Reinhold Kainhofer (AUT)

- WG has discussed the different approaches used in different countries  
e.g.
  - Austria – show projected benefits on +2% and -2% from central assumption
  - Ireland – assumptions determined by Society of Actuaries in Ireland
- Input from other countries welcomed – propose to issue a survey

# WG on Risk Mitigating Techniques (PEPP KID RMT)– lead Duncan Robertson (IE)

- 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.”
- EIOPA are tasked with drafting RTS which specify the minimum criteria that the risk-mitigation techniques must satisfy.
- PEPP KID RMT is required to prepare a submission setting out the AAE’s views.
- Input from other countries welcomed

# WG on Risk Mitigating Techniques (PEPP KID RMT)– lead Duncan Robertson (IE)

- WG has discussed whether the criteria should be qualitative or quantitative. One possible approach would be to require the provider to undertake simulations of future outcomes based on a fixed model/prescribed parameters
- Need to cater for different types of RMTs used in different markets – perhaps develop rules on a bottom-up basis
- Input from other countries welcomed



# Proposed next steps

- WGs will continue their discussion and develop draft inputs to EIOPA
- As topics are heavily inter-related, will have a LoopUp meeting of all 3 WGs to ensure consistency (mid November)
- Consolidated draft submission for AAE approval (Committees, Board) (late November)
- Sent to EIOPA (late November/early December)
- Discuss with EIOPA as required

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