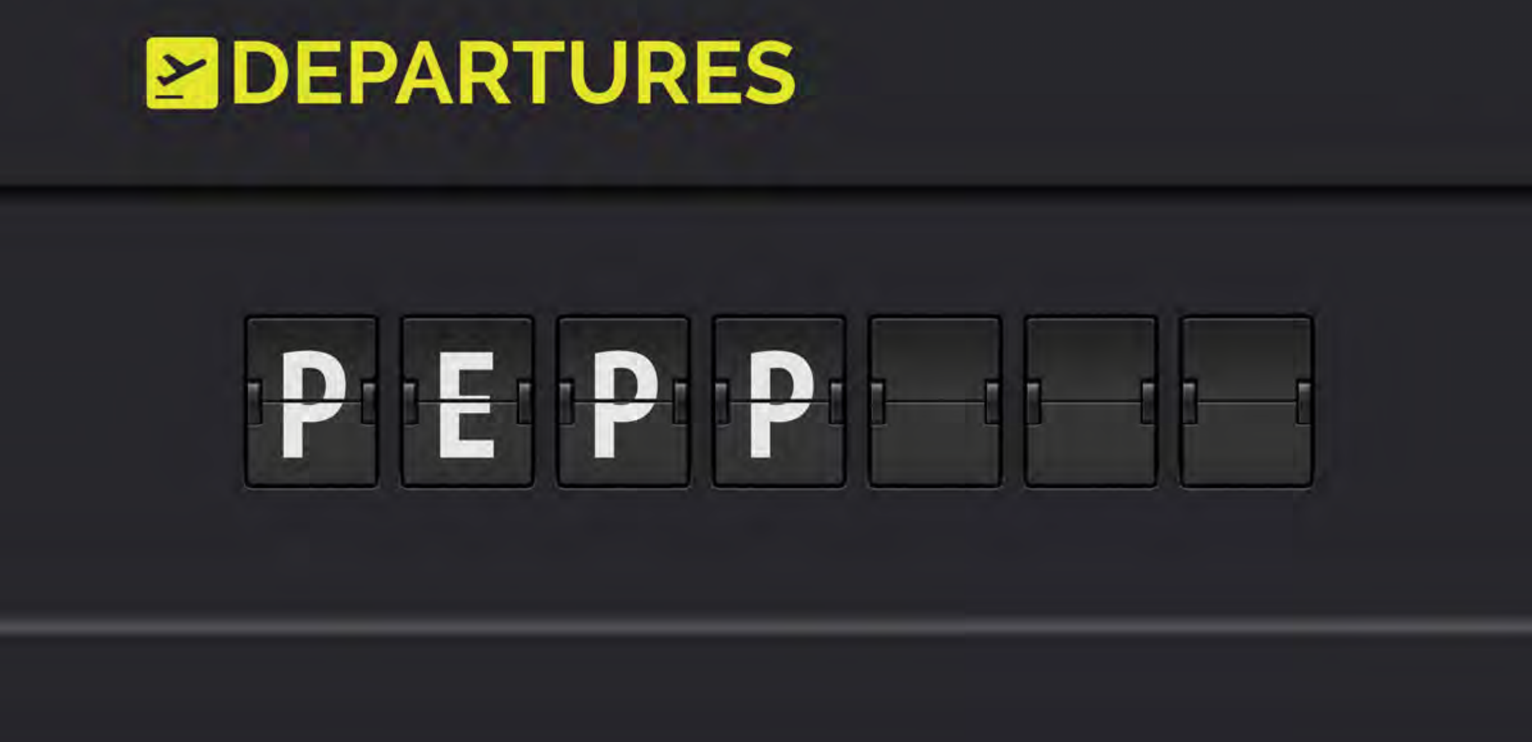


PEPP

# Waiting for take off

**After years of being ignored by pension providers and savers, might a new phase of growth lie ahead for the Pan-European Personal Pension (PEPP)? David Adams reports on policymakers' latest attempts to turn a good idea into a useful, mainstream product**

The Pan-European Personal Pension (PEPP) is an idea that everyone seems to agree has great potential. It could be hugely helpful to employers or individuals working in more than one EU member state, and it could help fill gaps in pension systems across Europe, offering millions of people who are currently poorly served by first, second or third pillar coverage a better way to save for retirement. But so far, the PEPP has completely failed to fulfil its potential.

Like so many things in Europe's financial landscape, it has been a long time coming: the European Commission outlined a PEPP framework in 2017, when its research suggested uptake of these products might double growth of the personal pension market across the EU, with €700 billion invested in PEPPs by 2030.

Today, just four years short of that deadline, there are only two PEPP providers in operation. As PensionsEurope secretary general and CEO, Matti Lepällä, rather tartly observes, as those products hold just a few million euros between them, the PEPP is currently "about €700 billion short of the €700 billion".

Lepällä does not say this to disparage the idea of the PEPP – he wants it to work – but he speaks for many in the industry who have observed the PEPP's struggles and wondered if it will ever achieve its aims.

It still has plenty of advocates at the commission, which included changes to regulation of PEPPs in the package of proposed reforms to the IORP II Directive that it adopted in November 2025. These include creation of a more affordable and accessible 'basic' PEPP, which could be invested in less complex financial assets and made available without a requirement for financial advice.

Pension guarantees are no longer mandated, with a lifecycle investment strategy now an option. A 'tailored' version of the PEPP that could include guarantees and be invested in more complex assets would also be available and would require a consumer taking advice. The compulsory fee cap of one per cent of accumulated capital per year has also been removed.

More controversially, the commission has suggested the PEPP might be used as a workplace and an auto-enrolment pension vehicle, if permitted by national law. It suggests removing the requirement for at least two national sub-accounts, so the PEPP could be offered as a product within a single member state. And it wants PEPPs to be given equal tax treatment as other personal pensions – although the commission was careful to stress support for member states' authority to control national pension systems.

### A cautious welcome

The European Insurance and Occupational Pensions Authority (EIOPA) has welcomed the commission's proposals. It published its own recommendations in November 2024, which highlighted unfavourable tax treatment of PEPPs and the inability to transfer funds from other personal pensions into PEPPs as barriers to adoption.

More recently it has suggested rebranding the PEPP as a 'EuroPension' (or similar) to boost demand: EIOPA research commissioned in 2025 found that 54 per cent of EU consumers (including 65 per cent of those aged under 24) would be more likely to use a pension product that carried an official EU label.

Other pensions industry and related organisations have welcomed the proposals in general, while offering suggestions for improvement.

"We are working on our position paper on the PEPP and the IORP II review," says Lepällä. "My view is that the PEPP needs major revisions to make it workable. The commission is trying to address factors limiting the supply of the PEPP: the fee cap, the complexity of the product, and lifecycle investment." He thinks allowing the transfer of other personal pension savings into a PEPP could also be helpful.

The European Fund and Asset Management Association (EFAMA) has also expressed support for removal of the fee cap and mandatory advice requirement for basic PEPPs, the proposed use of lifecycle investment strategies, and enabling use of the PEPP for auto-enrolment.

"The mandatory advice requirement was also something we thought it was important to remove," says EFAMA regulatory policy adviser, Kimon Argyropoulos. "This should increase accessibility."

But EFAMA has expressed opposition to the introduction of value for money assessments as currently envisaged, on the grounds these create practical and cost challenges for providers without necessarily adding value for consumers. At present, it suggests, with so few providers offering PEPPs, it will be very difficult to judge performance of products with very long time horizons.

"Of course, we're not against value for money as a principle – our question is, how is this going to work in practice?" Argyropoulos asks.

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CBBA-Europe secretary general, Francesco Briganti

### Fear of unintended consequences

Concerns have also been expressed about the impact of allowing the PEPP to be used for occupational provision on existing second pillar provision in some markets. Even before the commission's proposals were published the Dutch

Federation of Pension Funds (Pensioenfederatie) said it would oppose such a change, as it would create inconsistencies in rules applied to occupational pensions within member states.

The federation argued that existing occupational systems are designed to suit the circumstances within each member state, such as first pillar coverage and the work of social partners involved in pension governance. PensionsEurope has suggested one solution to this problem would be to give member states the option to exclude this change.

The Cross-Border Benefits Alliance Europe (CBBA-Europe) does support the development of an occupational pension form of the PEPP. In recent years, the organisation has outlined an alternative concept, the Pan-European Occupational Pensions vehicle (PEOP), which could be set up by a single employer, multiple employers or pension providers. CBBA-Europe secretary general, Francesco Briganti, acknowledges reservations about the commission's proposals for the PEPP, but says the proposals "are very careful to not undermine current occupational pensions".

He points out that those objections come primarily from the small number of member states that already have a well-developed occupational pensions system.

"The majority of member states do not have well developed IORPs or occupational pensions," says Briganti. "It would be a pity to kill the occupational pension PEPP to defend occupational pensions in those few countries."

The European Association of Paritarian Institutions (AEIP) is also working on a position paper in response to the proposals. In the autumn it issued a statement calling on the commission "to prioritise strengthening occupational pensions and promoting the paritarian governance model".

It warned "that increased supervisory convergence or the adoption of one-size-fits-all solutions risk undermining the role of social partners, increasing administrative burdens, and ultimately weakening pension adequacy".

"It could lead to unintended consequences, in potential fragmentation of occupational arrangements between social partners," says AEIP policy advisor on pension and financial affairs, Roberto Silvestri. "It could blur the distinctions between the second and third pillars, which may weaken trust in occupational pensions."

**"THE BIG PROVIDERS OF PERSONAL PENSIONS ARE INSURANCE COMPANIES AND THEY HAVE NOT BEEN INTERESTED IN THE PEPP BEFORE"**

PensionsEurope secretary general and CEO, Matti Lepällä

### Tax talks

There will also be much discussion about the proposals for tax treatment of PEPPs.

Briganti welcomes the decision to prevent discriminatory tax treatment of PEPPs. He agrees there should be no interference with the ability of member states to control taxation, and does not believe the proposed reforms would create such interference.

"Opponents might say member states are being limited in their freedom to tax pension products, but it's not true," he says. "The only point is they cannot discriminate against the PEPP."

Over the next few months discussions within the European Council and the European Parliament will determine the fate of these proposals. But whatever form the PEPP takes during the next few years, will providers embrace it?

"The big providers of personal pensions are insurance companies and they have not been interested in the PEPP before," says Lepällä.

Insurance Europe did respond with a degree of enthusiasm to the proposals, with its head of personal and general insurance, Nicholas Jeanmart, saying in November that they represented "a significant improvement" in the PEPP concept, and that increased flexibility for providers "has the potential to foster innovation and deliver solutions that meet saver' needs". But we will have to wait and see whether these warm words are translated into commercial action.

"I hope the PEPP can be helpful," says Lepällä continues. "This is an urgent problem, so I am happy the commission decided to take this forward now." The industry now has a role to play in helping to decide how much more progress is going to be made during the next few years in turning the idea of the PEPP into a useful reality.